

APPLICATION OF STANDARDS

This chapter provides DCED's analysis of the extent to which the Talkeetna city incorporation petition meets the applicable standards. The LBC and DCED are independent of one another concerning policy matters. Therefore, DCED's recommendations in this matter are not binding upon the LBC.

The six statutory standards for incorporation are paraphrased as questions. Related factors for consideration contained in the Alaska Administrative Code are then examined, including synopses of the positions taken by the Petitioners, respondent, and correspondents regarding the proposed incorporation are referenced in the context of relevant factors.

AS 29.05.011 provides five standards that apply in this case.

1. Is the population of the proposed city at least 400?
2. Do the boundaries of the proposed city include all areas necessary to provide municipal services on an efficient scale?
3. Does the economy of Talkeetna include the human and financial resources necessary to provide municipal services?
4. Is the population of Talkeetna large and stable enough to support city government?
5. Does Talkeetna exhibit a demonstrated need for city government?

Further, AS 29.05.021(b) provides one standard to apply in this case.

- ◆ Can the Matanuska-Susitna Borough reasonably and practicably provide services to the Talkeetna area on an areawide or nonareawide basis?

The Alaska Administrative Code, 3 AAC 110.010 - 3 AAC 110.040 provides factors for the Commission to consider, at its discretion, when applying the incorporation standards. These are addressed under the standards. The factors are also provided, for reference purposes, in Appendix B of this report.

The Alaska Supreme Court has formally recognized that determinations by the Commission may involve broad judgments of political and social policy and that the Commission has been given broad power to decide in the unique circumstances presented by each petition. [*Mobil Oil Corp. v. Local Boundary Commission*, 518 P.2d at 98-99 (Alaska 1974)]

Section 3.1. • Promotion of Maximum Local Self-Government with a Minimum of Local Governmental Units. Article X, § 1 of Alaska's constitution

The Constitution states that, "The purpose of this article is to provide for maximum local self-government with a minimum of local government units . . ."

Maximum Local Self Government.

Petitioners' Views. The Petition for incorporation states:

"We, the petitioners, believe that an incorporated city of Talkeetna can efficiently and economically provide for the services and needs of the area proposed for incorporation. While many Talkeetna residents settled in the area to escape from the ways of the city and have been reluctant to add another layer of government to their lives, it has become obvious that an increasing population base along with an increasing number of visitors requires a locally based government to effectively deal with social, economic, health, safety, and general welfare issues faced by local citizens. We believe that by incorporating as a home rule city and by establishing a Council-Manager form of city government the citizens of Talkeetna will best be served. Talkeetna citizens must presently drive ninety miles to Palmer, Alaska in order to affect decisions which govern their lives. By the nature of this distance, it is difficult for local residents to make known their wishes and desires on issues affecting local concerns. Public hearings on road service policy, noise ordinances, or comments on the appropriate level of support for parks and recreation require a four-hour round trip drive, frequently at night on icy winter roads. Clearly, this is not an efficient or economic method of conducting local government.

The Matanuska-Susitna Borough's population base is centered in Palmer and Wasilla, two communities whose policies toward resource and economic development are often different than policies desired by the citizens of Talkeetna. The majority of elected representative to the Matanuska-Susitna Borough Assembly are quite rightly more concerned with urban issues and are not as familiar with the issues and problems faced by our more rural/remote community.

Consequently, it is difficult and an inefficient use of time and energy for local citizens to inform assembly representatives and borough officials about issues which could be more effectively dealt with at the local level. The Matanuska-Susitna Borough is very large (about the size of the state of West Virginia). We agree with the combined resolution No. 89-1 of the City of Wasilla and the City of Palmer, "that the present physical size and the socioeconomic diversities within the Matanuska-Susitna Borough result in significant inefficiencies and inequities in the provision of and cost of government services."

A 1994 Talkeetna Impact Study sponsored by the Matanuska-Susitna Borough and the National Parks Service found,

“Practically and figuratively, city incorporation will be a milestone event in Talkeetna’s evolution. In our judgment, the choice whether to form a city government should primarily be made on broad concerns about overall community needs, not as an ad hoc response to visitor center concerns.” (Exhibit M, Transport Pacific Study, p. 2-20) Presently, we believe that broad concerns, not an isolated issue, are the driving force behind this move to incorporate Talkeetna as a city. The economic development of Talkeetna is an issue that will not go away. The primary question is whether or not Talkeetna residents want to deal with these issues on a local level, or whether we prefer that responsibility and decision making powers remain with a government body located ninety miles away.”

Views of Others. In his letter of June 22, 2000, Doug Smith wrote,

“I support the incorporation proposal because I am convinced that it is imperative that a local government be established in Talkeetna. Our town is facing rapid growth and change. The Mat-Su Borough government in Palmer is not the proper entity to be charged with addressing the issues that arise in our town. It is crucial that residents be given a voice in decisions made about issues as they arise and this is very difficult when decisions are being made 80 miles away. Both the distance and time lag are a problem. So is the fact that the Borough government has a huge area to oversee and is not able to give Talkeetna issues adequate or timely attention. While the Talkeetna Community Council does its best to bring issues before the community, the council is often informed too late for local concerns to be considered before decisions are made in Palmer. The advisory status of the council is no longer adequate and the town and its people need the local authority of the proposed City of Talkeetna.”

DCED’s Views. The December 1998 report and recommendation on the original petition by the former DCRA contained the following statement. “DCRA concedes that, theoretically, incorporation of a City of Talkeetna could serve to maximize local self government.” DCED considers the efforts by the Petitioners to amend their petition to reflect their motivation as promoting maximum local self-government in Talkeetna. Nevertheless, when a city is incorporated within an organized borough, the principal of maximum local self-government is not furthered to the same extent as when municipal government is extended to unincorporated areas.

In DCED’s view, other relevant factors are evident in the context of the proposed incorporation of Talkeetna. For example, if the MSB does not delegate any planning, platting or zoning powers to a City of Talkeetna, an important measure of maximum local self-government would not be notably enhanced over the status quo. Further, elements of local self government area already present in Talkeetna through existing organizations such as the Talkeetna Community Council and the local service area boards. The Talkeetna Comprehensive Plan notes that the Talkeetna Community Council “is officially recognized by government entities at the borough, state and federal levels. Each

October between 100 and 200 registered voters elect candidates to open seats of the seven member council.” DCED recognizes that the role of the community council “is to provide a channel of communication between groups and individuals, both within and outside the community.” (Talkeetna Comprehensive Plan, at 1-4)

However, the wide dispersal of communities within the Matanuska-Susitna Borough is considered by DCED to be a factor that is relevant to application of the standard in this case. The argument that the 90 mile drive between Talkeetna and the Borough seat at Palmer makes it relatively difficult for Talkeetna residents to readily conduct business with the Borough in person suggests that city incorporation in Talkeetna would be more likely to enhance maximum local self government than would city incorporation of areas more readily accessible to Palmer.

Minimum Number of Local Government Units.

Article X, Section 1 also promotes a minimum of local government units and the prevention of duplication of tax levying jurisdictions. Further, Article X Section 5 prohibits establishment of new service areas if the relevant service can be provided by an existing service area or by incorporation as a city.

Petitioners’ Views. The Petition indicates that the City of Talkeetna will assume responsibility for the following services:

- ◆ Water and Sewer (Talkeetna downtown core area only);
- ◆ Solid Waste;
- ◆ Animal Control;
- ◆ Library;
- ◆ Road Maintenance;
- ◆ Flood Control;
- ◆ Parks and Recreation;
- ◆ Cemetery Maintenance/Burials (at 3).



Matanuska-Susitna Borough's public library in Talkeetna.

Views of MSB Regarding Amended Petition. Page 5 of the MSB's July 21, 2000 submission commenting on the amended petition indicates that the Borough's concerns about the proposed boundaries are not entirely relieved by the amendments to the incorporation petition. The July 21 brief states,

“The Amended Petition has extended the boundaries of the proposed city (now 24 square miles, to include Section 28, Township 26N, Range 4W) to ensure that existing and potential future access routes to the Freedom Hills Subdivision will be within the

Relative Numbers of Consolidated City/ County Governments in the United States			
State	NACo-Recognized Consolidations	Number of Counties	Percentage of Consolidated City/ County Governments
Hawaii	1	4	25.00%
Alaska	3	16	18.75%
Massachusetts	2	14	14.29%
Louisiana	4	64	6.25%
Nevada*	1	17	5.88%
Virginia	5	95	5.26%
Montana	2	56	3.57%
Tennessee	2	95	2.11%
Georgia	3	159	1.89%
California	1	58	1.72%
New York	1	58	1.72%
Colorado	1	64	1.56%
Florida	1	67	1.49%
Pennsylvania	1	67	1.49%
Indiana	1	92	1.09%
Kansas	1	105	0.95%
Kentucky	1	120	0.83%

city boundary. The Borough respectfully refers the LBC to Public Works Director Jim Swing's May 9, 2000 memorandum expressing the Borough's concern about the splitting of service areas, which states:

'The remainder of the greater Talkeetna Road Service Area #29 (area outside proposed city boundary) is a problem. The area would be too small to become a service area of its own and would be negatively impacted by a forced consolidation with the Caswell Lakes RSA #15 (greater Talkeetna tax rate 2.67 mils, Caswell Lakes RSA tax rate 3.61 mils). The State of Alaska should consider this negative aspect to the residents of RSA #29 living outside the proposed city when debating the merits of incorporation.' [Exhibit 4]'

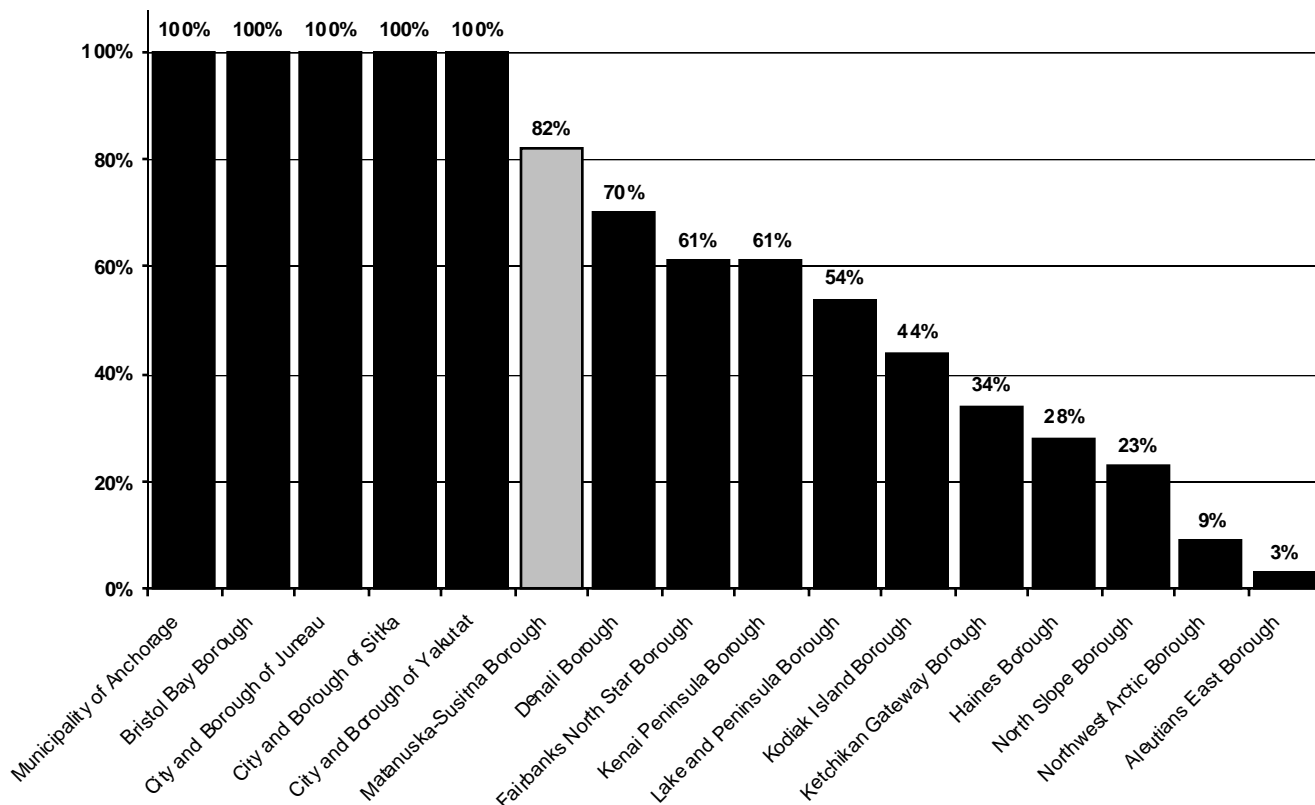
DCED's Views. The MSB has separate service areas for flood control, fire protection, roads and sewer and water serving all or portions of the area proposed for incorporation. The Petitioners propose that the city assume the flood control service area functions and the water and sewer service area in the downtown core. Road service powers would be assumed by the city in only part of the area within the existing road service area. The MSB fire service area would continue unchanged. Thus, incorporation would eliminate two of the four service areas (flood control and water and sewer). The fire service area would remain in place and the road service area would be reduced in size, but remain in operation with altered boundaries.

DCED notes that residents of other central Matanuska-Susitna Borough communities, Sunshine and Meadow Lakes, are currently considering submission of petitions for city incorporation. The question arises whether incorporation of a City of Talkeetna would represent the beginning of a trend toward proliferation of cities within the MSB. If so, to what extent would such a trend toward proliferation of municipal governments in the MSB conflict with the constitutional constraints against duplication of tax levying jurisdictions and proliferation of local government units? Further, serious public policy concerns about the possible disruptive effects of such a trend upon the delivery of services by the Matanuska-Susitna Borough may be raised.

As demonstrated by the dramatic decline in the number of Alaskans living in cities within boroughs and contemporary proposals regarding the Fairbanks North Star Borough, the Ketchikan Gateway Borough and the Haines Borough, the trend in Alaska is toward enhanced municipal efficiency through consolidation. For example, in 1970, about 50% of Alaskans lived within the jurisdictions of both cities and boroughs. By 2000, that number had declined to 18%. Proliferation of municipal governments in the Matanuska-Susitna Borough would run counter to this trend and merits careful and objective consideration from a broad state policy perspective.

Further, it should be recognized that the framers of the Alaska Constitution “viewed the long term relationship between the borough and the city as a gradual evolution to unified government” and the Alaska Supreme Court considers unification in which city governments are replaced with borough service areas as being “consistent with the purposes expressed in article X, section 1 of minimizing the number of local government units.”

The Matanuska-Susitna Borough currently has fewer overlapping municipal jurisdictions than ten of the other fifteen boroughs in Alaska



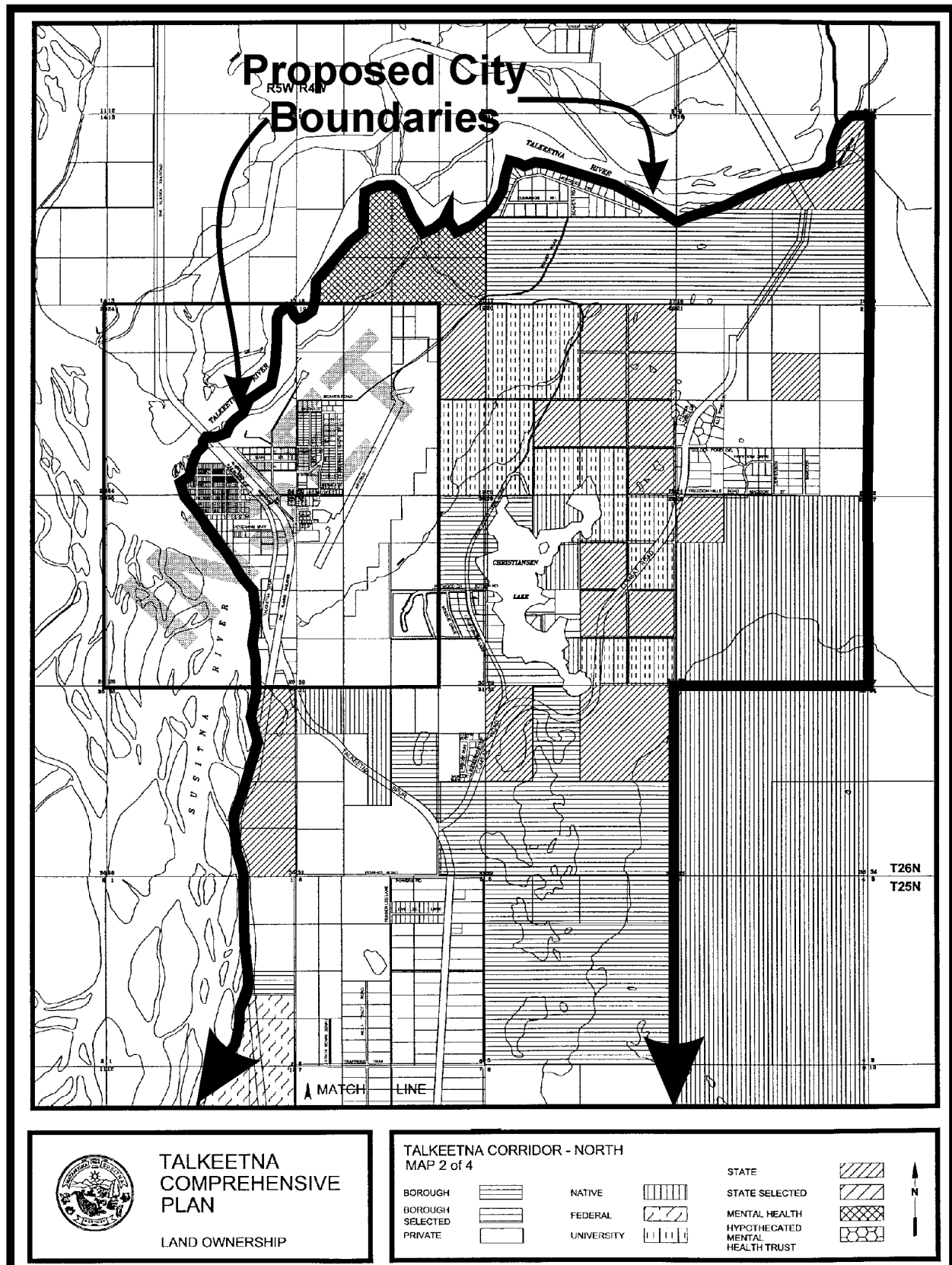
Conclusion. City incorporation would result in elimination of the MSB flood control and sewer/water service areas presently serving the Talkeetna community. The MSB Fire Service area encompassing Talkeetna would not be altered as a consequence of incorporation but the existing MSB Road Service Area would be truncated. Thus, incorporation would result in an overall reduction of service areas encompassing Talkeetna. Such reduction would be theoretically in greater harmony with the constitutional principle of minimum numbers of local government units.

DCED notes that residents of other central Matanuska-Susitna Borough communities, including Talkeetna's neighbor community of Sunshine, are currently contemplating city incorporation. While it remains speculative whether the proposed Talkeetna incorporation constitutes the beginning of a trend toward proliferation of cities in the MSB, DCED considers it relevant to recognize the potential for such proliferation. The ramifications of such a trend upon the future development of service delivery in the MSB should be considered in deliberations regarding Talkeetna city incorporation.

**Section 3.2. • Inclusion Within the Boundaries of the Proposed City of Talkeetna of All Areas Necessary to Provide the Full Development of Essential City Services on an Efficient and Cost-Effective Basis.
AS 29.05.011(a)(2), 3 AAC 110.040(a)**

AS 29.05.011(a)(2) stipulates that the boundaries of a proposed city must include all areas necessary to provide municipal services on an efficient scale. 3 AAC 110.040(a) lists five factors that the Commission may consider in the context of the standard. These include; land use and ownership patterns, population density, existing a reasonably anticipated transportation patterns and facilities, natural geographic features and environmental factors, and extraterritorial powers of cities.

Land ownership patterns in the northern portion of the proposed city.



Source: Talkeetna Comprehensive Plan adopted January 1998

Land use and ownership patterns. 3 AAC 110.040(a)(1)

Views Stated in Original Petition. The petition for incorporation describes land ownership in the area as a mix of federal, State, Borough, Native Corporation, private, Alaska Railroad, and University of Alaska lands. The Petitioners expressed concurrence with the Talkeetna Comprehensive Plan's statement that *"Historically land has been developed in the Talkeetna planning area by residents either locating in the area because of commercial and employment opportunities or because of a desire to live in a small community and semi-wilderness setting."* (at 19)

Views Stated In Amended Petition. The cover sheet to the amended petition states *"The amended petition for incorporation adds Section 28 (T26N, R4W) in order to insure that all potential access routes to the Freedom Hills subdivision (a topic of much dispute between subdivision land owners and the MSB) will be within the city boundary."*

Views of Others. Other parties have not raised land use and ownership patterns within the proposed city as a significant issue in these proceedings.

Views of Respondent Regarding Original Petition.

The Talkeetna Comprehensive Plan was developed by the MSB Planning Department with extensive involvement by residents of the greater Talkeetna area. The Comprehensive Plan was included as an exhibit with the Borough's original responsive brief. It provides extensive background on land ownership patterns in the Talkeetna area. A synopsis of land ownership patterns as described in that document follows.

The University of Alaska owns about 600 acres in the Talkeetna planning area. Most of this acreage is located north, northeast, and southeast of Christiansen Lake. Another tract of university land is located at the Talkeetna Spur Road and the Alaska Railroad crossing in Section 25, T26N, R5W.

The Alaska Railroad Corporation (ARR) has land holdings within both the east and west townsites in downtown Talkeetna. The community water well in west Talkeetna is located on ARR property. The boat launch and campground areas are situated on ARR property in east Talkeetna. These parcels were previously leased to the Matanuska-Susitna Borough but complete control has reverted to the railroad. The comprehensive plan notes that management of key ARR holdings will directly affect the character and economy of downtown Talkeetna. A rail corridor



Railroad property within the Talkeetna townsite.

(generally running parallel to the Talkeetna Spur road) traverses the Talkeetna planning area. The rail corridor is approximately 200 feet wide, except in the downtown area (north of Second Street) where the rail corridor width is increased to 500 feet. Within this 500-foot corridor south of Second Street the railroad has leased small tracts for commercial businesses. The railroad also has an exclusive lease of approximately 150 acres located along the Susitna River, west of Paper Plat and Talkeetna Estates subdivisions.

Private land in the planning area is primarily located immediately adjacent to the road network, or within ten miles of the road system. Most private land in the greater Talkeetna area was conveyed to individuals through land disposal programs.

Between 1968 and 1988, the State of Alaska offered approximately 26,000 acres in the greater Talkeetna region through subdivision lotteries, homesite lotteries, open-to-entry programs, homesteading programs and agriculture lotteries. Individuals generally acquired this land for year-round residence, seasonal residence, seasonal recreation use, agriculture use, or investment. Major subdivisions in the Talkeetna area include:

- ◆ an unsurveyed 69-lot, 640-acre Paper Plat Subdivision, recorded in 1966;
- ◆ a 150-parcel Bald Mountain Subdivision;
- ◆ a 117-parcel Bald Mountain II Remote Subdivision, comprised of lots ranging in size from five to 20-acres;
- ◆ a 119-parcel South Bald Mountain Subdivision; an 88-parcel Talkeetna Bluffs Subdivision; and
- ◆ a 59-parcel Talkeetna Bluffs Addition Subdivision. (at 3-9)
- ◆ Cook Inlet Region, Inc. (CIRI), is the largest private land owner in the greater Talkeetna area. CIRI is a regional corporation established in 1971 under terms of the Alaska Native Claims Settlement Act. Within the MSB's Talkeetna planning area, CIRI owns or has selected 6,500 acres. CIRI holdings in the Talkeetna area include a 240-acre parcel located approximately one mile south of the townsite on the Talkeetna Spur road and the 35-acre site of the Talkeetna Lodge just east of downtown Talkeetna.

Other CIRI land holdings in the Talkeetna area include land holdings along the Talkeetna River north of the boat launch, parcels adjacent to Christiansen Lake, Long Lake, Spruce Lake, and Half-way Lake, and parcels contiguous to the state airport (south).

The MSB's June 19, 1998 responsive brief states that the Borough's Planning Department considered that the requirements of AS 29.05.011 as generally met by the petition. However, the MSB expressed practical concerns regarding:

- ◆ the effects of splitting of the Road Service Area #19 as a consequence of incorporation; and
- ◆ exclusion of the Freedom Hill access road from the proposed municipal boundaries. (at 7, 19, and Exhibit 2)

Views of Respondent Regarding Amended Petition. The MSB's July 21, 2000 supplement to its response notes that the amended petition includes territory that contains existing and potential access roads to the Freedom Hills Subdivision. Comments from MSB Public Works Director Jim Swing's May 9, 2000 memorandum regarding the previously-noted negative effects of detachment of the area proposed for city incorporation from Road Service Area #19 were also referenced. (See pg. 5 and exhibit 4.)

DCED's Views. DCED considers the concerns raised by the Matanuska-Susitna Borough to be legitimate. The expansion of the originally-proposed city boundaries in the amended petition appears to relieve the boundary issue regarding the existing and potential access roads to the Freedom Hills Subdivision. However, issues relating to consequences of splitting Road Service Area #19 remain unresolved.

Population Density. 3 AAC 110.040(a)(2)

Views Stated in Petition. The Petitioners' original brief states that *"The proposed city is predominantly low-density, with most housing occurring in the town site or in road-accessible subdivisions."* The Petitioners note that the Talkeetna Comprehensive Plan documented that 39% of the housing units in the Talkeetna planning area are located in the east and west townsites, while 61% are located outside of the town site.

Views of Others. Other parties have not raised the population density within the proposed city as a significant issue in these proceedings.

DCED's Views. The area proposed for incorporation has a relatively low overall population density of about thirty-three persons per square mile. This is at least partially attributable to the fact that the area contains abundant lakes and other areas unsuitable for high density residential or commercial development. Nevertheless, such areas are intensively used for recreational activities and associated growth and development can be reasonable anticipated.



Core commercial development area.

Existing and Anticipated Transportation Patterns and Facilities. 3 AAC 110.040(a)(3)

Petitioners' Views. Page 21 of the petition contains the following comments regarding transportation patterns in the Talkeetna area.

"Talkeetna is located at the end of the Talkeetna Spur Road and serves as a transportation hub for automobiles, trucks, boats, airplanes, the Alaska railroad, and numerous off-road vehicles. There are hiking, biking, and ski trails within the proposed boundaries. (see Exhibit M, Talkeetna Comprehensive Plan, Transportation Plan) The proposed boundaries of the city of Talkeetna are all completely within the boundaries of the local fire service, road service, and emergency medical service area boundaries."

MSB Views Regarding Original Petition. The MSB's June 19, 1998 responsive brief states that the Borough's Planning Department considered the requirements of AS 29.05.011 to be generally met by the petition but indicated that a need existed for the expansion of the proposed city boundaries to include the Freedom Hill access road. Further, as noted elsewhere, MSB officials described practical problems that would occur as a consequence of the splitting of Road Service Area #19. (at 7, 19, and Exhibit 2)

As noted in the discussion on page 22 regarding Article X, Section 1 of the Alaska Constitution, a memorandum by MSB Community Development Director Ron Swanson observed,

"that the impact of incorporation on Greater Talkeetna Road Service Area (29) would result in a

mill levy increase, since most of the assessed value of the area would now be within the city of Talkeetna and not available to the borough to provide road service." (June 19, 1998 MSB Responsive Brief, at 19.)

As can be seen, the proposed incorporation of the City of Talkeetna has a profound impact on what remains of RSA#29. The Public Works Department believes that those property owners remaining in RSA #29 have a moral right, if not a legal right, to voice their opinion of the proposed incorporation."

A June 3, 1998 memorandum from MSB Director of Community Development Jim Swing to former Borough Manager Michael J. Scott noted,

"The incorporation petition recommends assuming responsibility of those roads and streets located within the proposed boundaries of the city. Those roads, amounting in length to slightly over 19 miles, are now a part of the Greater Talkeetna Road Service Area #29. Road Service Area #29, presently has 74.15 miles of maintained and certified roads. If the 19.03 miles proposed for the city are removed, 55.12 miles remain. Present total assessed value of Road Service Area #29 is \$51,896,980. The incorporation petition states that the assessed value of the proposed city is \$21,534,100. If this amount is removed from Road Service Area #29, the remaining assessed value of Road Service Area #29 would be \$30,368,880.



Intersection in Talkeetna townsite.

After applying the state revenue sharing funds of \$650/mile to the proposed FY 1999 budget for Road Service Area #29, the needed funds from taxes would be as follows: proposed City of Talkeetna, \$36,319; RSA #29, \$105,199. This would require the following tax rates: City of Talkeetna 1.69 mills; RSA #29, 3.46 mills. The present RSA #29 mill rate for FY 1999 is 2.67 mills.”

The issue of the fracturing of the service area and impacts upon those in the remnant of the service area left outside the proposed City remains unresolved.

DCED's Views. Completion of the Talkeetna Spur road in 1964 permitted automobile access to the community and led to the development of local tourism. The record indicates that traffic congestion and lack of parking in the downtown core area are problems that have occurred as a consequence of the influx of recreational visitors to Talkeetna.

The existing traffic circulation pattern in Talkeetna has most vehicles traveling down the Talkeetna Spur road from either the Parks Highway or the outlying streets and residences and funneling into the downtown at the intersection of Main Street. The Talkeetna Spur Road is the main arterial into town. Main Street is the main road in the downtown commercial district.

The Talkeetna Spur road and Main Street, Part of B Street, and Comsat Road are the only paved roads in the planning area. Other roads within the townsite and most of the older roads in the outlying areas evolved into their present condition without being built to any road standard. Consequently, most roads in Talkeetna lack curbs and gutters, adequate drainage, defined roadway widths, shoulders, or pedestrian facilities. Some roads have encroachments within their rights-of-way. The downtown district has been described as lacking an efficiently flowing traffic circulation pattern.



Spur Road parking area.

Until recently, commercial activity on the Talkeetna Spur road was mostly concentrated between Main Street and the Talkeetna Library, but the residential and commercial development noted by the MSB as being underway along the length of the Talkeetna Spur road has continued. The most notable example of such development is the recent development and subsequent expansion of the Talkeetna Alaskan Lodge.

The Alaska Railroad's tracks bisect Talkeetna into the west townsite and the east Talkeetna townsite. East Talkeetna is the location of several commercial businesses, the community's boat launch and campground, the State airport, two churches, the cemetery, and several residential subdivisions. The only access into east Talkeetna is via Second Street, which traverses the railroad tracks.

Other main outlying roads in the Talkeetna planning area, which funnel traffic to the Talkeetna Spur road, are Barge Drive, South Birch Creek Road, and Comsat Road. Minor roads channeling traffic into the arterial roads are Beaver Road, Christiansen Road, South Answer Creek, and Mastodon Road. (Talkeetna Comprehensive Plan, at page 5 -2.)

Natural Geographical Features and Environmental Factors. 3 AAC 110.040(a)(4)

The Talkeetna townsite and low-lying areas to the northeast and south of the townsite are situated on an active floodplain near the confluence of the Talkeetna, Susitna, and Chulitna Rivers. Numerous lakes are scattered throughout the area.⁶

⁶ MSB Talkeetna Comprehensive Plan, adopted January 1998, at 2-2.

DCED's Views. The record does not indicate that there are geographical or environmental factors that constitute an impediment to city incorporation at Talkeetna.

Extraterritorial Powers of Cities. 3 AAC 110.040(a)(5)

Petitioners' Views. The Petitioners' brief states "*The proposed city will have no extraterritorial powers.*"

DCED's Views. Since 3 AAC 110.040(a)(1) applies to the area within the boundaries of the proposed city, the fact that RSA #19 would be fractured, although noteworthy, does not, in DCED's view, constitute sufficient basis to consider the amended petition in conflict with the standard.

Conclusion. The boundaries of the area proposed for incorporation generally conform to the boundaries of the Talkeetna Community Council. The MSB code requires that community council boundaries be based upon "natural communities". "Natural communities" are defined by the MSB code as designating "areas within the borough that have or are achieving distinct identity by reason of geography, history, population, transportation, fire protection and other factors. (at Ch 2.76.040) The city boundaries proposed in the amended petition are expanded by one square mile from the boundaries sought by the original petition. The amended boundaries include the Freedom Hill Subdivision access route, consistent with the former DCRA's preliminary recommendation regarding the original petition.

Section 3.3. • Limitation of the Area Proposed for Incorporation to the Present Local Community, Plus Reasonably Predictable Growth, Development and Public Safety Needs During the Decade Following the Effective Date of Incorporation. 3 AAC 110.040(b)

3 AAC 110.040(b) stipulates that the boundaries of the proposed city must include only that territory comprising a present local community, plus reasonably predictable growth, development, and public safety needs during the ten years following the effective date of incorporation of that city.

Petitioners' Views. The Petitioners' brief provided with the original petition states that "*The economic development of Talkeetna is an on-going issue that will not go away.*" (at 18)

MSB Position Regarding Original Petition. The MSB's June 1998 responsive brief depicts Talkeetna as a historic but developing area that is receiving attention from the tourist industry and others with an interest in small-town life. This resultant development impacts the social and economic issues the area must confront, such as local requirements for enhanced government services. For example, according to the Talkeetna Comprehensive Plan, "*The consequences of past land disposal practices in Talkeetna are that the community is now faced with a scattered low-density distribution of population on a road network with low volumes and high maintenance costs. . .*" The Comprehensive Plan notes, "*Currently Talkeetna has no local government with which to supervise the provision of these public services.*" (at 4-7) It is anticipated that the Talkeetna area, like other areas of the MSB (which is the fastest growing borough in the state of Alaska at this time), can anticipate social and economic issues typically confronted by a rapidly growing area. (Exhibits 2-7.)

Views of Others. Susan Dolecki's April 15, 2000 letter suggests that the proposed city boundaries encompass areas outside the Talkeetna community.

"I am writing in objection to the amendments and also the incorporation for myself. I have signed many petitions regarding the fact we are not a part of the Talkeetna Boundaries. Go to the top of ski hill or the railroad tracks, stop and go no further.

I've lived in my residence for 14 years. I don't have power supplied to my property. I consider myself off the grid, much less part of a city and problems, I do not wish to have anything to do with the water/sewer new roads parking problems – dog catchers. All that scares me as I don't benefit. I just pay and get taxed unfair to be involved with Talkeetna, and problems of being overrun parking-driving, etc. Please leave me out. I don't feel downtown and am sorry to see what's going on in Talkeetna. I live 4 miles out of town."

MSB Views Regarding Amended Petition. Aside from the previously-discussed issue regarding the effect of the proposed incorporation upon the remnant Talkeetna Road Service Area #29, the respondent's July 21, 2000 submission raised no other major issues relating to the city boundaries proposed by the amended petition.

DCED's Views. DCED considers it significant that the MSB Talkeetna Comprehensive Plan indicates that the character of growth and development in the greater Talkeetna area has changed as a consequence of development along the Talkeetna Spur road. The road has led to greater Talkeetna changing from *"a compact settlement along the riverfront to a more scattered rural hinterland"* with a population dependent the community for a range of community services. The plan anticipated that the population in the outlying area would continue to grow throughout the 1980s at an annual rate of 4% but projected that the population within the townsite would grow at an annual rate of less than 1%. Current data suggest that rapid population growth is continuing in the Talkeetna area. In July 2000, the Department of Labor and Workforce Development reported, *"Even Talkeetna, which is beyond any realistic daily commute [to Anchorage] is experiencing robust growth."*⁷

⁷ July, 2000 *Alaska Economic Trends*, at 5.

DCED recognizes that the record does not reflect contemplation of the exercise of extraterritorial powers by the Petitioners. If a City of Talkeetna is incorporated, it is at least theoretically possible that the need for road maintenance service in the remnant portion of the Talkeetna Road Service Area may lead to consideration of a contractual agreement between the City and the Borough. AS 29.35.020(b) provides that the City could maintain streets on an extraterritorial basis, subject to approval by both the MSB and the City of Talkeetna by ordinance.

Conclusion. DCED considers the Petitioners' amendments to the proposed boundaries of the area sought for incorporation to be illustrative of a good-faith effort by the Petitioners to make the incorporation proposal more compatible with the applicable standards relating to city boundaries.

The community council boundaries more closely reflect the community of Talkeetna than do the Talkeetna Planning Area boundaries. The Planning Area boundaries are too expansive for a city government. They comprise about 350 square miles, much of which is uninhabited.

The Talkeetna Designated Census Place boundaries appear to be too constrained to provide an optimal basis for Talkeetna city boundaries. The census place comprises only about three square miles and includes only a portion of the developed portion of the Talkeetna area. The area proposed for incorporation includes the local community, plus reasonably predictable growth, development and public safety needs for the next decade.

DCED considers the proposed City of Talkeetna boundaries to conform to 3 AAC 110.040(b).

Section 3.4. • Inclusion within the Proposed City Boundaries of Entire Geographic Regions or Large Uninhabited Areas Not Justified by the Application of Other Incorporation Standards. 3 AAC 110.040(c)

3 AAC 110.040(c) provides that, "The boundaries of the proposed city must not include entire geographical regions or large unpopulated areas, except when such boundaries are justified by the application of the standards in 3 AAC 110.010 - 3 AAC 110.040."

DCED'S Views. The Talkeetna townsite and low-lying areas located northeast and south of the townsite are located on an active floodplain near the confluence of the Talkeetna, Susitna, and Chulitna Rivers. The greater Talkeetna area contains abundant lakes and floodplain areas unsuitable for high-density residential or commercial development.

Conclusion. Although the area proposed for incorporation has a relatively low overall population density of about 33 persons per square mile, DCED considers the area's topography and development patterns to be factors supporting a conclusion that the population density of the area proposed for incorporation is suitable for city incorporation.

Section 3.5. • The Economy of the Proposed City Must Include the Human and Financial Resources Necessary to Provide Municipal Services on an Efficient, Cost-effective Level. AS 29.05.011(a)(3); 3 AAC 110.020(a)(1)-(11)

AS 29.05.011(a)(3) provides that a community may incorporate as a city only if, "the economy of the community includes the human and financial resources necessary to provide municipal services; in considering the economy of the community, the Local Boundary Commission shall consider property values, economic base, personal income, resource and commercial development, anticipated functions, and the expenses and income of the proposed city, including the ability of the community to generate local revenue." 3 AAC 110.020(a) provides that, "In accordance with AS 29.05.011, the economy of a proposed city must include the human and financial resources necessary to provide essential city services on an efficient, cost-effective level. . . ." Eleven factors are provided that may be considered by the LBC in making its determination whether the standard is met.

Anticipated Functions of the Proposed City. 3 AAC 110.020(a)(1)

Petitioners' Views in Amended Petition. The amended petition indicates that the City of Talkeetna would assume responsibility for the following municipal services:

- ◆ Core Area Water and Sewer
- ◆ Solid Waste
- ◆ Animal Control
- ◆ Library
- ◆ Road Maintenance
- ◆ Flood Control
- ◆ Parks & Recreation
- ◆ Cemetery Maintenance/Burials. (at 3)

MSB Views Regarding Amended Petition. The Borough's July 21, 2000 brief expressed concern over the Petitioners' proposal that the City assume responsibility for solid waste service. Two memorandums from Public Works Director, Jim Swing are cited in the Borough's brief. Those memoranda state, in part:

"If the City takes over the solid waste collection and disposal services, the Borough will be forced to charge for disposal of the refuse at the Borough Central Landfill, since solid waste services is a non-area-wide power. The City could, of course, open their own landfill." (May 9, 2000 memorandum)

"The amended petition states that the City will assume responsibility for solid waste disposal within 18 months of incorporation. As has been stated previously (in my June 3, 1998 memorandum), the Public Works Department does not believe that this is a prudent action. No other city within the Borough provides solid waste disposal service. In order for the City of Talkeetna to do so would require the development of a landfill or using the Borough's Central Landfill. At present, solid waste services do not require a mill levy. Sufficient fees are charged to pay for solid waste operations. If the City assumed these powers the cost would be prohibitive since the City would have to start paying for disposal. We would request that the City withdraw the request to assume solid waste authority." (July 19, 1999 memorandum)

Views of Others. Constance M. Twig's July 18, 2000 letter contains the following statement,

"I feel that fed, State, water supply, waste disposal, health services and electricity – lawyers are still in the future for Talkeetna, Ak and we should remain with the Mat-Su Borough."

Views Stated in Petitioners' Reply Brief. The Petitioners' September 15, 2000 reply brief indicates that amended petition contains language designed to relieve the concerns regarding delivery of water and sewer, solid waste, animal control and library services.

DCED's Views. DCED recognizes that the range of services identified for delivery by the proposed city in the amended petition is more consistent with a fully functioning municipal government than was the case with the original petition.

Anticipated Expenses of the Proposed City. 3 AAC 110.020(a)(2)

Petitioners' Views In Original Petition. The original incorporation petition stated,

"A combination of sales and property tax, user fees, along with municipal assistance and state revenue sharing will adequately provide the revenues necessary to sustain the services required by local citizens. The 1994 Talkeetna Impact Study sponsored by the Matanuska-Susitna Borough and National Park Service supports this. "The main sources of local revenues for city governments are real and personal property taxes and sales taxes. If Talkeetna incorporated, a seasonal sales tax could generate substantial revenues from visitor expenditures to be used to defray tourism impacts as well as other community programs."

The original Petition projected annual personnel costs at \$132,600, facilities costs decreasing from \$26,000 the first year to \$20,000 the subsequent two years, service delivery costs of \$97,000 for the first three years, and miscellaneous costs of \$8,450 for each of the first three years.

Year 1	Year 2	Year 3
\$288,050	\$363,050	\$279,050

Petitioners' Views In Amended Petition. The amended petition projects a significantly higher level of anticipated expenditures for the proposed City of Talkeetna for the first three years after incorporation.

Year 1	Year 2	Year 3
\$310,450	\$494,950	\$498,450

MSB Views Regarding Amended Petition. The Respondent's comments on the amended petition reflect the Borough's continued concerns that the proposed budget may underestimate certain costs associated with delivery of municipal services. Page 3 of the Borough's July 21, 2000 submission states,

"... the Borough's Community Development Director, Ron Swanson, has noted that the budget line item for contractual services on page 10 (Exhibit E) of the Amended Petition is very low, especially for a start-up city."

Projected City Expenditures in Amended Petition			
Personnel	Year 1	Year 2	Year 3
City Manager	\$30,000	\$30,000	\$30,000
City Clerk/Treasurer	30,000	30,000	30,000
Public Works Utility Operator	40,000	40,000	40,000
Seasonal Recreation Director	10,000	10,000	10,000
Librarian	0	40,000	40,000
Solid Waste Employee	0	40,000	40,000
Benefits	35,000	45,000	45,000
Total Personnel Costs	\$145,000	\$235,000	\$235,000
Facilities	Year 1	Year 2	Year 3
Office Rental	\$10,000	\$10,000	\$10,000
Telephone/Tax/Postage	3,000	3,000	3,000
Office Supplies/Copying	1,000	1,000	1,000
Office Machines/maintenance	8,000	2,000	2,000
Subscriptions, memberships	2,000	2,000	2,000
Utilities	2,000	2,000	2,000
Total Facilities Costs	\$26,000	\$20,000	\$20,000
Contractual Services	Year 1	Year 2	Year 3
Legal	\$6,000	\$3,000	\$3,000
Insurance	15,000	15,000	15,000
Printing	1,000	1,000	1,000
Auditing	2,000	2,000	2,000
Total Contractual Costs	\$24,000	\$21,000	\$21,000
City Services	Year 1	Year 2	Year 3
Road Maintenance	\$50,000	\$51,500	\$53,000
Parks and Recreation	10,000	10,000	10,000
Water and Flood Control	5,000	5,000	5,000
Cemetery Maintenance/Burials	2,000	2,000	2,000
Water & Sewer	40,000	42,000	44,000
Solid Waste	0	60,000	60,000
Libraries	0	40,000	40,000
Total City Services	\$107,000	\$210,500	\$214,000
Other Expenses	Year 1	Year 2	Year 3
Travel	\$5,000	\$5,000	\$5,000
Elections	1,000	1,000	1,000
Council Meeting Expenses	1,250		1,250
Misc.	1,200	1,250	1,200
Total Other Expenses	\$8,450	\$8,450	\$8,450
Total Projected Expenses	\$310,450	\$494,950	\$498,450
(Amended Petition for incorporation, pages 10-11)			

The Borough has reviewed the Amended Petition and, in addition to its previous responses and the comments stated herein, has attached memorandums to the Borough Manager from the Public Safety Director, the Planning Director, and the Public Works Director.

The Community Development Director also indicates that road maintenance should include parking and observes that there is no budget for animal control.” (at 3)

Exhibits 2 and 3 of the MSB's comments regarding the amended petition provide comparisons of the budgets of other Alaska cities to the anticipated budget of the proposed City of Talkeetna. Cities included in the comparison include the City of Kake, City of Skagway, City of King Cove, City of Nenana, City of Yakutat and City of Houston. The Respondent's July 21, 2000 submission states,

“The Borough believes that the budget proposed by the Petitioners is minimal. The attached tables of budgets for other home-rule cities of similar size, providing similar services with similar populations, establishes that the proposed Home-Rule City of Talkeetna's budget should be realistically re-examined.”

Views of Others. Gene Jenne's July 11, 2000 letter states, in part,

“I feel the setting and collecting of taxes has not been explored enough. There appears to be some uncertainty about being able to handle the Road Service, the Water & Sewer and possibly some others that I may not be aware of.”

Views Stated in Petitioners' Reply Brief. The Petitioners' September 15, 2000 reply brief states,

“A recent review of city budgets of other small Alaska cities (included in the Matanuska-Susitna Borough's comments) indicates that we have probably underestimated both city income and expenses. However, we believe that the revenues generated by combining existing property tax revenue with either the 4% seasonal or 2% annual sales taxes should be more than adequate to operate the city of Talkeetna.” (at 3)

DCED's Views. The amended budget reflects the addition of city water and sewer, library, and solid waste services not anticipated in the original petition. However, as noted by the MSB's supplemental brief, it does not clearly identify any expenditure for animal control service. Animal control is currently provided by the MSB on a nonareawide basis. Delivery of nonareawide services to the area by the borough cannot occur if an area is incorporated as a city. The anticipated city budget provided in the amended petition lowers the projected salary for the city manager from \$60,000 to \$30,000. It may prove difficult to recruit or retain services of a qualified full-time municipal manager at that compensation level.

Reasonably Anticipated Income of the Proposed City. 3 AAC 110.020(a)(3)

Petitioners' Views in Original Petition. The original Petition proposed to secure local taxes to fund the operations of the city through a 3.5 mill property tax, a 4% seasonal sales tax, and a 15% bed tax on facilities with more than fifty beds.

In the original petition, the Petitioners anticipated that the seasonal sales tax would generate \$140,000 during the first year after incorporation, \$150,000 during the second year and \$160,000 the third year. The amended petition anticipates slightly less city revenue from sales taxes.

The original petition assumed that city property tax would generate \$74,000 during the first year after incorporation, \$77,000 during the second year and \$80,000 during the third year. The estimate of property tax revenue is increased significantly in the amended petition.

MSB Position Regarding Original Petition. When the MSB submitted the September 21, 1999 supplement to its responsive brief, a memorandum from Finance Director Tammy E. Clayton was included. Ms. Clayton wrote,

"One specific area you inquired about was their proposal for a 15 percent bed tax for entities with greater than 50 beds. Of course, one issue is that they are only charging it on facilities with greater than 50 beds. The other issue is the 15 percent. This is a rather high bed tax and would actually be 20 percent once added to the borough's bed tax of 5 percent. The municipality of Anchorage has an 8 percent bed tax. The City and Borough of Juneau has a 7 percent bed tax and Fairbanks North Star Borough has an 8 percent bed tax."

Views of Others Regarding Amended Petition. In his May 6, 1998 letter, Talkeetna resident and business owner Murray Nash stated,

"My prime concern is the source of funding for the City of Talkeetna and the magnitude of the budget. How can a community of 768 come up with a quarter million dollars a year? Will a 4% sales tax and a 3.5 mil bump in the property taxes do it? Will my small business be subject to a 4% sales tax on the bit of income I derive from the surveying profession? If so, I'm out of business. My property tax assessments have climbed 20% per year for the past three years. I don't see that trend changing, and frankly I'm not really interested in paying additional property taxes either."

In order for me to see the funding coming from the enterprises that are adversely affecting us the most, namely the mega-tour outfits like Princess, Westtours and the rest of them. These massive dumps of humanity that we experience in the summertime are what impacts our "infrastructure" and quality of life the most and the companies that are profiting from this should bear the lion's share of the funding for the transition effort."

I'm also concerned about what seems to me an overly generous outlay of cash to the paid personnel of the City of Talkeetna. What are we getting for out \$150,000 worth of employees? I can see a City of Talkeetna whose primary function becomes collecting their quarter million bucks a year . . . Just what we need, another layer of government."

Petitioners' Views in Amended Petition.

The amended petition anticipates the following city revenues during the first three years of city operation.

Projected Revenues in Amended Petition			
	Year 1	Year 2	Year 3
Organization Grant	\$50,000	\$25,000	\$0
Revenue Sharing	10,000	10,000	10,000
Safe Communities	10,000	10,000	10,000
Property Tax (3.5 mills)	120,000	130,000	140,000
Sales Tax	120,000	130,000	140,000
Burial Fees	1,000	1,000	1,000
Park Fees	5,000	5,000	5,000
Water and Sewer	115,000	120,000	125,000
Solid Waste	0	25,000	25,000
Library	0	25,000	25,000
Total Revenue	\$431,000	\$481,000	\$481,000

MSB Views Regarding Amended Petition. Page 3 of the Borough's July 21, 2000 submission states,

" . . . Mr. Swanson further notes that the budget projections on page 11 (Exhibit E) are very optimistic revenue projections for park and library fees unless the proposed city expands existing parks and railroad property and everyone turns in books late and pays the fines."

Views of Others Regarding Amended Petition. In his letter dated July 11, 2000, Gene Jenne wrote:

"I feel the setting and collecting of taxes has not been explored enough. There appears to be some uncertainty about being able to handle the Road Service, the Water & Sewer and possibly some others that I may not be aware of."

In her letter received on July 18, 2000, Constance Twig wrote,

"...it is our clear contention that at this time Talkeetna does not have a reliable gauge of revenue which proves it can fund its proposed budget."

The July 20, 2000 letter from Gretchen Grover and Scott MacDonald states,

"Regarding revenues, there is the potential that the voters may turn down a sales tax. Some in the area have said that a sales tax will have a negative effect on Talkeetna's appeal as a tourist destination. This would seem to be particularly true if the seasonal tax is adopted. The petitioners have not built an adequate case for the tax, and they appear to be waffling by saying that it would be either 2% or 4% but would not apply to 'essential' items. (The list of potential exempt items is prefaced by 'might include' rather than a concrete proposal which can be evaluated properly.) Since this is nearly 30% of their budget, this is a significant unknown. This mention that this tax would be voted on at the same time as incorporation. We have seen numerous votes where people approve of a concept, but do not want to pay for it." (at 3)

Views Stated in Petitioners' Reply Brief. In their September 15, 2000 reply brief, the Petitioners stated,

"The proposed budget is a good faith effort on the part of the petitioners to anticipate the initial needs of a bare-bones, yet efficient, city government. It is a conservative budget, reflecting the petitioners' desire to start simply and to keep the number of city employees to a minimum."

DCED's Views. DCED considers the amended petition to be more realistic, in terms of the estimated of income that would be generated by the proposed City of Talkeetna, than the original petition.

Assessed value – The amended petition anticipates higher year-one revenues from the proposed 3.5 mill city property tax (\$120,000 v \$74,000) than the original petition. This reflects an increased estimate of real property values in the area proposed for city incorporation from \$21,534,100 to \$33,709,500 since the original petition was drafted. The increased property tax base is reasonable, since it is derived from the MSB and reflects the rise in assessed value from such developments as the Talkeetna Alaskan Lodge.

Sales Tax - The amended petition anticipates lower sales tax revenues from the proposed 4% seasonal city tax than the original petition (e.g. \$120,000 v \$140,000 for the first year of city operation in the original petition). Such tax revenue would require about \$4 million in taxable sales within the city's jurisdiction during the tourist season. This represents about \$5,277 in expenditures for each of the 758 residents of Talkeetna, although the large and growing number of summer tourists visiting Talkeetna would presumably generate most of the sales tax revenues. By comparison, in FY 2000, the City of Skagway, population 850, generated \$2,867,202, comprising \$3,373 per capita in sales tax revenue from a 4% year-round sales tax. (Alaska Taxable 2000 at 15)

Thus, the anticipated sales tax revenues may be over-optimistic, particularly if the sales tax levy is limited to a maximum of \$10 on any transaction and limited to "non essential" items, as proposed in the amended petition.

Feasibility of Anticipated City Operating Budget. 3 AAC 110.020(a)(4)

MSB Position Regarding Original Petition. The MSB's June 19, 1998 responsive brief provided the following comparison of the Petitioners' original projected operating budget with revenue and expenditure projections *"more in keeping with those experienced by the Borough and adding the revenues and expenses of the water and sewer utilities."*

Petitioners' Views in Amended Petition. The Petitioners' amended budget is based upon the budget projections of the Matanuska-Susitna Borough submitted regarding the original petition.

MSB Views Regarding Amended Petition. In its July 21, 2000 Responsive Brief, the MSB raised questions regarding the extent to which the amended budget is reasonable.

"The Borough believes that the budget proposed by the Petitioners is minimal. The attached tables of budgets for other home-rule cities of similar size, providing similar services with similar populations, establishes that the proposed Home-Rule City of Talkeetna's budget should be realistically re-examined. [Exhibits 2 & 3] (The referenced MSB Exhibits are included with this document as Appendix B.)

The use of the City of Houston's budget as a comparison to the proposed Talkeetna budget is distinguishable. Houston is a second-class city providing less services than the proposed City of Talkeetna. In the Borough's opinion, exhibits 2 & 3 are a reasonable comparison of other cities similar in population and service provision to that of the proposed City of Talkeetna.

However, in each of the tables, you will note that most of the cities are first-class cities. The first-class cities were used as a comparison since they were more similar in size and population than most home-rule cities in Alaska. The City and Borough of Yakutat was included since it serves a population similar in size to that of the proposed City of Talkeetna. The second-class City of Houston is included since this was a comparison used by DCED in its draft report on the Proposed Incorporation Petition. A review of the City of Houston data establishes that it is similar in population to that of the proposed City of Talkeetna; however, its services only include 'Volunteer Fire' and 'Roads'."

Views of Others. The July 20, 2000 letter from Gretchen Grover and Scott MacDonald states, in part:

"Under expenses, there are questions, as well:

- *What is covered under "City Services"? nothing appears to be listed for equipment acquisition, infrastructure improvement, facility maintenance*

	Year One	MSB Projection	Year Two	MSB Projection	Year Three	MSB Projection
Projected Revenues						
Organization Grant	\$ 50,000	\$ 50,000	\$ 25,000	\$ 25,000	\$ -	\$ -
Revenue Sharing	\$ 23,000	\$ 23,000	\$ 20,700	\$ 20,700	\$ 18,630	\$ 18,630
Municipal Assistance	\$ 23,000	\$ 23,000	\$ 20,700	\$ 20,700	\$ 18,630	\$ 18,630
Property Tax (3.5 mills)	\$ 74,000	\$ 74,000	\$ 77,000	\$ 77,000	\$ 80,000	\$ 80,000
Seasonal Sales Tax (4%)	\$ 140,000	\$ 140,000	\$ 150,000	\$ 150,000	\$ 160,000	\$ 160,000
Burial Fees	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Park Fees	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Sewer & Water	\$ -	\$ 115,000	\$ -	\$ 120,000	\$ -	\$ 125,000
Total Revenue	\$ 316,000	\$ 431,000	\$ 299,400	\$ 419,400	\$ 283,260	\$ 408,260
Projected Expenses						
Personnel						
City Manager	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000	\$ 60,000
City Clerk/Treasurer	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000	\$ 42,000
Public Works Utility Operator	\$ -	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ 50,000
Benefits	\$ 30,600	\$ 45,600	\$ 30,600	\$ 45,600	\$ 30,600	\$ 45,600
Total Personnel Costs	\$ 132,600	\$ 197,600	\$ 132,600	\$ 197,600	\$ 132,600	\$ 197,600
Facilities						
Office Rental	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Telephone/Tax/Postage	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Office Supplies/Copying	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Office Machines/maintenance	\$ 8,000	\$ 8,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Subscriptions, memberships	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Utilities	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Total Facilities Costs	\$ 26,000	\$ 26,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
Contractual Services						
Legal	\$ 6,000	\$ 6,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Insurance	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Printing	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Auditing	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Total Contractual Costs	\$ 24,000	\$ 24,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000
City Services						
Road Maintenance	\$ 80,000	\$ 50,000	\$ 80,000	\$ 51,500	\$ 80,000	\$ 53,000
Parks and Recreation	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Water and Flood Control	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Cemetery Maintenance/Burials	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Water & Sewer	\$ -	\$ 40,000	\$ -	\$ 42,000	\$ -	\$ 44,000
Total City Services	\$ 97,000	\$ 107,000	\$ 97,000	\$ 110,500	\$ 97,000	\$ 114,000
Other Expenses						
Travel	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
Elections	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Council Meeting Expenses	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250	\$ 1,250
Misc.	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Total Other Expenses	\$ 8,450	\$ 8,450	\$ 8,450	\$ 8,450	\$ 8,450	\$ 8,450
Total Projected Expenses	\$ 288,050	\$ 363,050	\$ 279,050	\$ 361,050	\$ 279,050	\$ 363,050

* Italized text indicate MSB projections that differed from the Petitioners'.

- *Under 'key items' there is reference to Animal Control being one of the services that the City will assume – where is this in the budget? (staff or operation costs)*
- *Are there facilities for years 2-3 for library, solid waste or animal control? (where are these reflected in the budget?)*
- *Nothing addresses increasing regulatory pressure which could have a significant impact on the operation of a water or wastewater plant (new EPA regulatory standards coming)*
- *What about reserves?*
- *With additional staff and facilities in years 2 & 3, wouldn't insurance requirements increase? Are benefits adequate as listed?"*

Views Stated in Petitioners' Reply Brief. In their September 15, 2000 reply brief, the Petitioners offered the following statements.

"Will a sales tax generate enough revenue to operate a city?

Let's take a look at a hypothetical situation using the 4% seasonal sales tax formula. Let's say a certain lodge within the city boundaries operated a 200 room facility. Let's imagine that during the 4 month summer season (120 days) that the lodge averaged 1/2 capacity (100 rooms) and charged \$150 per room. $120 \times 100 \times \$150 \times 4\% = \$72,000$. If you add in food service at this same hypothetical lodge, then seasonal revenues for the lodge approach \$2,500,000 which in turn would generate about \$100,000 in sales tax revenues for the city. While it is not our intention to single out any particular type of business within the tourist industry, we believe that this formula shows that there is a solid tax base in Talkeetna and it will help generate sufficient revenue for the successful operation of the city." (at 2)

DCED's Views. DCED considers the Petitioners' amended budget to be improved over the budget in the original petition. However, unresolved questions remain regarding how certain services will be delivered. For example, it is unclear from the amended budget how the proposed city will provide animal control services. Hiring a qualified city manager and clerk/treasurer for \$30,000 per year may prove difficult.

Economic Base of the Proposed City. 3AAC 110.020(a)(5)

Views Stated in Original Petition. The original Petition indicated that seasonal sales tax revenues would constitute the primary local funding source of the proposed city. The Petitioners originally expected that the seasonal sales tax would generate nearly twice as much city revenue than the 3.5 mill property tax. The fact that the petition proposed making incorporation contingent upon voter ratification of the sales tax underscores the degree to which the Petitioners initially expected the proposed city to rely upon the sales tax.

In its original submission, the Petitioners cited the following statement in the Talkeetna Comprehensive Plan:

"The challenge facing Talkeetna in the future as it determines its economic well-being will be to balance and sustain the healthy economy while preserving the small town ambiance and rural lifestyle desired by many of its residents.

Presently, Talkeetna's economic base is healthy and diverse. Existing industries include: 1) the expanding trade and service industries, 2) the air transportation industry supporting mountaineering, flight seeing, recreational activities, and access to remote properties, 3) the railroad as a historic source of passenger and freight, 4) the recreational industry which includes fishing, boating, hiking, hunting, and winter sports, 5) the communication industry, and 6) government and educational services." (Exhibit M, Talkeetna Comprehensive Plan pp. I-9 to I-13 and Appendix E)

Views of Others. A June 19, 1998 letter from Ellen Wolf on behalf of "Concerned Citizens of Talkeetna" states *"our town and the tourist industry which provides the major economic base are growing rapidly ..."*

Views Stated in Amended Petition. The amended petition does not contain significant new information concerning the economic base of the proposed city.

DCED's Views. The conclusion and recommendation on page 41 (Section 4.1 and 4.2) of the December 1998 preliminary report stated that community of Talkeetna has a sufficient local economy to satisfy the standards for city incorporation. Economic growth and development has continued in the area since that report was issued.



Tour bus arriving at Talkeetna townsite.

Property Valuations for the Proposed City. 3AAC 110.020(a)(6)

Views Stated in Original Petition. The original petition for incorporation estimated the value of taxable real property within the area proposed for incorporation at \$21,534,100.

Views Stated in Amended Petition. The amended petition for incorporation estimates the value of taxable real property within the area proposed for incorporation at \$33,709,500. This estimate has not been challenged.

DCED's Views. Property valuations in the area proposed for incorporation are not an impediment to city incorporation.

Land Use for the Proposed City. **3 AAC 110.020(a)(7)**

Views Stated in Original Petition. The petition for incorporation references the description of land ownership in the area provided in the Borough's Talkeetna Comprehensive Plan. This ownership pattern is described as a mix of federal, state, borough, Native Corporation, private, Alaska Railroad, and University of Alaska lands.

Views of MSB. A June 19, 1998 memorandum from John Duffy, then MSB planning director, states:

*"The Department of Planning and Land Use is also responsible for enforcing land use regulations that protect the public health, safety and welfare. These land use regulations, specifically the MSB 17.60, MSB 17.48, and MSB 17.70 which require conditional use permits for commercial junk yards and refuse areas, mobile home parks, and alcoholic beverage dispensaries and package stores, respectively, ensure that certain land uses do not negatively affect the character of the community. In the Talkeetna community, these land use regulations **seek to protect the recreational and tourist character of the area.**" (Emphasis added)*

Views of Others. Residents of the area proposed for incorporation draw distinctions between the downtown "core" area and areas with less population density that comprise most of the area within the proposed city. Such sentiments are reflected by such documents as the two informal petitions signed by individuals claiming residence in the area extending south from the railroad crossing at the entrance of the community of Talkeetna to Answer Creek. That document conveyed the opposition to the proposed city incorporation and requested that the signers be excluded from the city.

Views Stated in Amended Petition. The Petition states,

"Historically land has been developed in the Talkeetna planning area by residents either locating in the area because of commercial and employment opportunities or because of a desire to live in a small community and semi-wilderness setting. It would be safe to say that this land use pattern largely remains in effect today.

Land use goals were discussed and developed over a period of five years during the comprehensive planning process and in many ways these goals serve as the foundation for this petition to incorporate Talkeetna as a city. Once again, we, the petitioners, believe that a local governing body can best achieve these goals efficiently and economically.

The Land Use and Community Development Goals of the comprehensive plan are as follows:



- * Maintain the community's small town atmosphere, sense of community, and high quality of life.*
- * Protect and conserve the wilderness values and natural resources of the lands surrounding Talkeetna.*
- * Keep Talkeetna a pleasant place to live, work, and visit.*
- * Plan and provide for population growth which can be adequately absorbed by the area, without negative impacts on the sense of community, services, the environment, or the quality of life.*
- * Guide development in a manner which enhances Talkeetna's natural appeal, taking steps to ensure that future growth and change will build a desirable human environment.*
- * Maintain Talkeetna's rural recreation and ecologically sound tourism economy and avoid conflicting activities." (at 20)*

Views of Others Concerning Amended Petition. As noted in the discussion of 3 AAC 110.040(b) on pages 30 and 31, Susan Dolecki's letter of April 15, 2000 also appears to suggest a view held by some residents outside the downtown core area that they are not really a part of the Talkeetna community to the extent that some city government services would not be relevant to the residents of outlying areas.

DCED's Views. The area proposed for incorporation exhibits significant variations in the context of land use patterns. The core is relatively densely developed. Much of the other territory proposed for incorporation contains dispersed, low density development. However, given that the boundaries of the city are somewhat smaller than the average for Alaska cities and the rapid pace of growth and development in the area, such a range of land use patterns does not appear inconsistent with city government.

Existing and Reasonably Anticipated Industrial, Commercial and Resource Development. 3 AAC 110.020(a)(8)

Petitioners' Views Regarding Original Petition. The Petitioners' brief states,

"Presently, Talkeetna's economic base is healthy and diverse. Existing industries include: 1) the expanding trade and service industries, 2) the air transportation industry supporting mountaineering, flight seeing, recreational activities, and access to remote properties, 3) the railroad as a historic source of passenger and freight, 4) the recreational industry which includes fishing, boating, hiking, hunting, and winter sports, 5) the communication industry, and 6) government and educational services." (at 18-19)

MSB Position Regarding Original Petition. Since the background information provided by the Petitioners in this context was developed by the MSB, the Borough's comments on existing and reasonably anticipated Talkeetna development are consistent with the views of the Petitioners. The commercial services that support and promote these recreational activities will likely increase in response to growing demand.

Views of Others. In his letter of May 29, 1998, R. Dennis Brandon, Vice-President, Tourism, for Cook Inlet Region, Inc., (CIRI) wrote,

"It is my belief that the taxes and land use and community development goals proposed in this petition will harm Talkeetna's appeal as a visitor destination, and will effectively stop tourism development in the area. Certainly the taxes alone will have a profound effect on CIRI's decision to build a lodge in the Talkeetna area."



Talkeetna Alaskan Lodge.

It is not my intention, or the intention of CIRI, to oppose the principle of municipal incorporation for Talkeetna if that is what area residents' desire. I just wish to express my hope that incorporation can be accomplished without taxing mechanisms which will discourage tourism in the Talkeetna area."

Views of MSB Regarding Amended Petition. The Borough's July 21, 2000 brief lists various development projects underway at that time. These included the following:

PUBLIC WORKS ACTIVITIES

- (1) Paving 2nd Street and F Street
- (2) Gravel overlay of screened gravel at Downtown Street
- (3) Cleaning sewer lines
- (4) Conducting a study and design of water & sewer improvements
- (5) Completion of addition/remodeling of Talkeetna Elementary School
- (6) Remodel of Talkeetna Library
- (7) Striping Main Street to delineate pedestrian walkways from vehicular lanes
- (8) Repairing flood control dikes in downtown Talkeetna with additional rip-rap

COMMUNITY DEVELOPMENT PROJECTS

- (1) Parking lot in Downtown Talkeetna
- (2) Bus parking
- (3) Library upgrade this fall (approximately \$20,000). (at 8)

Views of Others. Ellen Wolf's letter of June 22, 2000 states,

"The need for our town to incorporate becomes more urgent with each passing year. Growth and development have increased exponentially in Talkeetna since this petition was originally written. It is imperative that we establish a local governing body to address the critical issues and impacts associated with these changes."

Doug Smith's letter of June 22, 2000 states, *"Our town is facing rapid growth and change."*

DCED'S Views. It is evident that commercial activity in portions of the area proposed for incorporation is growing at a rapid pace. Such is most evident in the visitor industry. The April 2000 issue *CIRI Shareholder Update* includes an article regarding the success of the CIRI-owned lodge in Talkeetna. That article stated, in part:

"The Talkeetna Alaskan Lodge is expanding its great room, restaurant and meeting areas, as well as adding another 100 rooms to the 98 the lodge has now. During its first season, the Lodge exceeded expectations with the "visiting friends and relatives" market. However, for this summer season, the Lodge is anticipating increased revenue from travelers who have booked complete packages with tour companies to include a night at the Lodge.

The demand for the Talkeetna Alaskan Lodge in the short term has surpassed our expectations," said Dennis Brandon, vice president of tourism for CIRI. "We anticipate continued growth as more people discover the Lodge setting. It is ideally situated to provide visitors with panoramic views of Denali and a variety of activities out of the nearby town of Talkeetna."

The Alaska Department of Labor and Workforce Development recently identified the Talkeetna Alaska Lodge as the twentieth largest employer in the MSB, with an estimated staff of seventy.⁸

⁸ *Alaska Economic Trends*, July, 2000, at 10.

Personal Income of Residents of the Proposed City. 3 AAC 110.020(a)(9)

Views of Others. Personal income of residents of the proposed city has not been raised as an issue in these proceedings.

DCED's Views. The 1990 census recorded Talkeetna's median family income at \$40,208.

Need for and availability of employable skilled and unskilled persons to serve the proposed city. 3 AAC 110.020(a)(10)

Views Stated in Original Petition. In 1990, 30% of the Talkeetna planning area population was employed in the trade and services industries, 24% employed in the construction industry reflecting the major construction work underway, 20% employed in public administration, and 16% were employed in professional and related services. About 24% of Talkeetna's employed work force

was employed in service occupations, 15% were in administrative support occupations, 12% were classified as managerial employees, 11% were professional specialty occupations, and 11% were machine operators.

DCED's Views. The Alaska Department of Labor and Workforce Development's July, 2000 *Alaska Economic Trends* notes that the per capita income of MSB residents is \$18,752, only 67% of the State's and 68% of the nation's. According to that document, *"Lower wages, higher unemployment and larger households account for some of the difference, but the wide disparity is difficult to explain."*

Reasonably predictable level of commitment and interest of the residents in sustaining a city. 3 AAC 110.020(a)(11)

Petitioners' Views Regarding Original Petition. Exhibit A of the petition for incorporation notes that,

"a 1991 Matanuska-Susitna Borough random survey showed 52% [of Talkeetna area residents] favored incorporation and a 1991 Talkeetna Community Council advisory vote showed 80% favored investigating incorporation options." (at 6)

MSB Position Regarding Original Petition. The MSB has stated that it is,

"reasonable to assume that the proposed incorporation area has a reasonably predictable level of commitment and interest in sustaining a city."

Views of Others Regarding Original Petition. In his letter dated May 5, 1998, Art Wettannen stated,

"Various boards of supervisors for local service areas have had vacancies for years. Water and sewer supervisors have met only upon times of crisis or public demand, then lapse into silence and inaction. Various road supervisors get into office solely to fix the roads they use, then relinquish efforts for the public good. Flood control has never met, to my knowledge.

There are supposed to be local people in charge of their service areas, so there are dramatic fluctuations in interests of efficiently maintaining public services. Even with Brad Ault, a local man employed by the Mat-Su borough, services provided, for instance, roads, are inconsistent in quality.

At least the Mat-Su Borough has a built in support staff and infrastructure for providing services. Now 758 people are supposed to duplicate the borough government. A public works director, engineer, attorney, clerk, etc., when we already are paying for this.

If the Mat-Su Borough government with 50,000 people can't afford to fund a parks and recreation department, how is 758 people going to do it, when a Fire Department isn't even planned on?"

Two similar informal petitions signed by Talkeetna 253 parties were submitted to the former DCRA during the initial period of public comment upon the petition. One of the two petitions read:

"We, the undersigned residents of the community of Talkeetna, wish to go on record as opposed to the incorporation of the community of Talkeetna. We do not want to be included."

The second petition read:

"We, the undersigned residents of the area south of the railroad crossing at the entrance of the community of Talkeetna, and continuing south to Answer Creek, wish to go on record as opposed to the incorporation of the community of Talkeetna. We do not want to be included."

Signers of the informal petitions against city incorporation included 161 voters registered within the area proposed for incorporation and 22 persons registered to vote in the greater Talkeetna area but outside the proposed City of Talkeetna boundaries.

DCED's Views. DCED considers the fact that Talkeetna residents have invested much time and effort to consideration of incorporation and development of an incorporation petition to reflect a reasonably predictable level of commitment and interest in maintaining a city.

Section 3.6. • The Population of the Community Must Be Large and Stable Enough to Support City Government. AS 29.05.011(a)(4), 3 AAC 110.030

AS 29.05.011(a)(4) requires that the population of a community must be stable enough to support city government. 3 AAC 110.030 provides that, in determining whether a community's population is large and stable enough to support city government, the commission will, in its discretion, consider relevant factors, including

- (1) total census enumeration;
- (2) duration of residency;
- (3) historical population patterns;
- (4) seasonal population changes; and
- (5) age distributions.

Further, AS 29.05.011(a)(1) requires that a community may incorporate as a home rule city only if it has a population of at least 400.

Petitioners' Views. The petition states that the population of the area proposed for incorporation is 758.

Views of Others. The MSB's June 19, 1998 responsive brief indicated that the Borough concurred with the Petitioners' 1998 population estimate. No parties have asserted that the population estimate provided by the Petitioners is inaccurate. Further, the estimated population estimate provided by the Petitioners was developed in consultation with MSB Planning Department.

MSB Views Regarding Amended Petition. The MSB's July 21, 2000 supplement to its reply brief states "*It [Talkeetna] has sufficient local population . . .*". (at 2)

DCED's Views. As noted in the DCRA December 7, 1998 Preliminary Report, the population of the area comfortably exceeds the statutory threshold of 400. If the population of the area proposed for incorporation has grown at a rate commensurate with the smaller Talkeetna census place, the population of the proposed city is probably about 800 at present.⁹

⁹ Alaska Department of Labor and Workforce Development estimates suggest that the population of the Talkeetna census place has increased by more than 5% since the time that the original petition was submitted. The original population estimate was not revised in the amended petition.

Talkeetna Census Place	Year		
	1999	1998	1997
Alaska Dept. of Labor & Workforce Development Population Estimates	363	359	345

However, it is noteworthy that only one existing home rule city, the City of Nenana, has fewer residents (452) than the proposed City of Talkeetna.

Conclusion. DCED considers the population of Talkeetna to be sufficiently large and stable to satisfy the standard.

Section 3.7. • Demonstrated Need for City Government. AS 29.05.011(a), 3 AAC 110.010

AS 29.05.011(a) provides that in order to incorporate a city, a community must demonstrate a reasonable need for city government. In this regard, the commission will, in its discretion, consider relevant factors including:

- (1) existing or reasonably anticipated social or economic problems;
- (2) existing or reasonably anticipated health, safety and general welfare problems;
- (3) existing or reasonably anticipated economic development; and
- (4) adequacy of existing services.

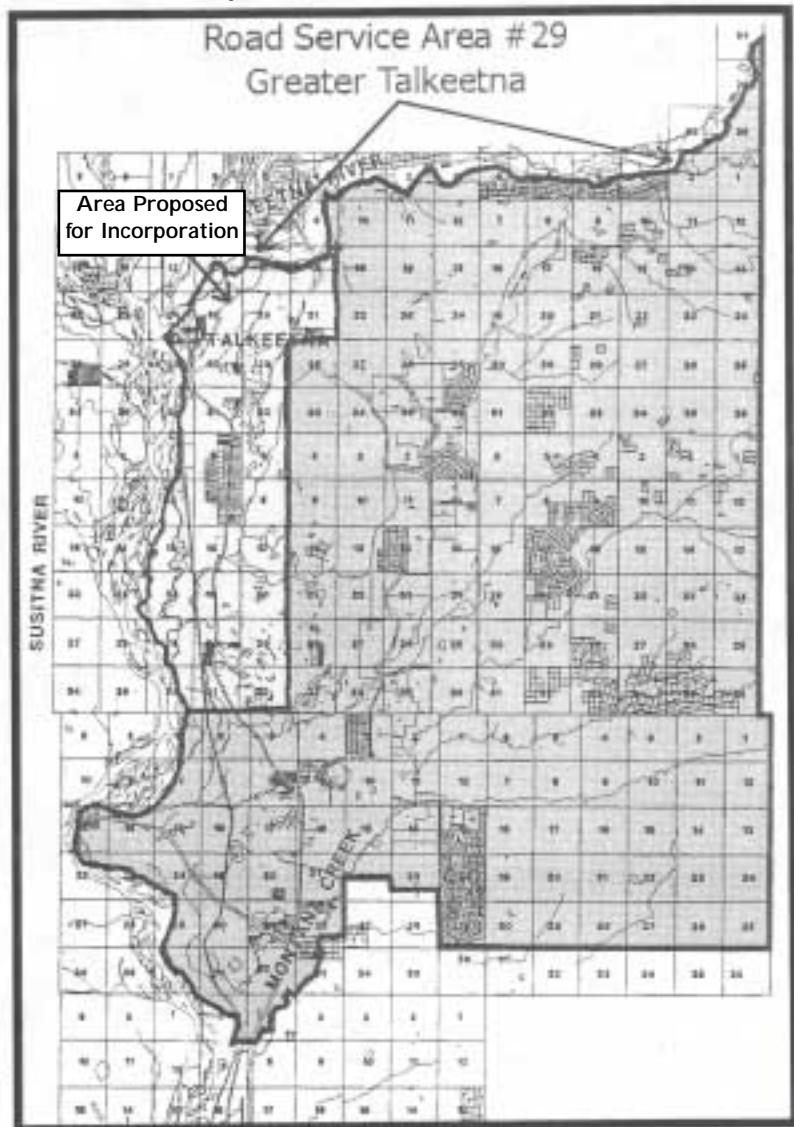
Social or Economic Problems. 3 AAC 110.010(a)(1)

MSB Views on Amended

Petition. A May 9, 2000 memorandum from Jim Swing, MSB Public Works Director to former Borough Manager Michael J. Scott is included in the Borough's comments regarding the amended petition. It suggests that the fracturing of the Talkeetna Road Service area as a consequence of city incorporation would have a detrimental effect of increasing the tax rates of residents of the remnant portion of the service area outside the city's jurisdiction.

"The remainder of the Greater Talkeetna Road Service Area #29 (area outside proposed city boundaries) is a problem. The area would be too small to become a service area of its own and would be negatively impacted by a forced consolidation with the Caswell Lakes RSA #15 (Greater Talkeetna tax rate 2.67 mils, Caswell Lakes RSA tax rate 3.61 mils). The state of Alaska should consider this negative aspect to the residents of RSA #29 living outside the proposed city when debating the merits of incorporation." (Exhibit 4, pages 1-2)

Matanuska-Susitna Borough Road Service Area No. 29



DCED's Views. DCED considers the consequences of detaching Talkeetna from the MSB Road Service Area #29 to be a reasonably anticipated economic problem for the remaining residents in the truncated Road Service Area. However, on balance the scope of the anticipated problem does not, in DCED's view, constitute a sufficient basis to deny the petition.

Health, Safety and General Welfare Problems. 3 AAC 110.010(a)(2)

MSB Views Regarding Original Petition. A June 19, 1998 memorandum by then-MSB Planning Director John Duffy stated:

"... the Department of Planning and Land Use has provided and continues to provide planning related services to the residents of the Talkeetna area. These services include the development and implementation of formal plans and land use regulations which seek to protect the public health, safety, and welfare as well as to protect and enhance the quality of life for area property owners and residents. The services provided also have included other activities, such as providing data, answering questions, linking residents telephonically to Planning Commission meetings when asked, and obtaining their comments on proposals directly affecting their area and lifestyles. All of the services available from the Department of Land Use and Planning are available to the Talkeetna area. It is my opinion that the present petition should be improved upon by; 1) providing those services the borough presently provides at a consummate level; 2) undertaking additional services such as zoning enforcement; and 3) providing a funding source for all services to be provided."

MSB Views Regarding Amended Petition. In an April 3, 2000 memorandum to former Borough Manager Michael Scott, MSB Public Safety Director Kevin Koechlein wrote:

"After reviewing the amended petition I have two comments regarding the proposal. The first concerns their use of the borough emergency plan 'by adoption' as the new city plan. While adopting the form would be in their best interest, and ours they still will need to modify it to fit the services they provide. There will also be some items that would not apply to them that are in our plan such as EMS. This is not a major problem but they should understand that it would take a little work on the part of the city to do so.

The second issue is with animal control as it is presented. Their petition states they will take over animal control within the city within six months. However, they have not budgeted any funds to do so. At the very least they will need to budget for licenses, at least a part time person and the costs of required quarantine of animals. The other option they may be considering is to allow for animal control but in fact adopt no ordinances to enforce it. My staff currently spends approximately one day a week in the Talkeetna area handling animal issues ranging from bite cases to loose and nuisance animals. They could use that estimate of workload as a base for budgeting a part-time or casual employee to work this area. As the petition stands there will be no impact on the EMS and Rescue functions, Fire Services or Enhanced 911 System."

DCED's Views. If there is a six month delay in the delivery of animal control services, or if the service ceases altogether, such could result in a public safety problem.

Existing and Anticipated Economic Development. 3AAC 110.010(a)(3)

Petitioners' Views. As noted in the discussion of the community's economic base, the petition states that the economy of the community is based upon:

- ◆ expanding trade and service industries;
- ◆ local air transportation;
- ◆ the Alaska Railroad;
- ◆ recreation industry;
- ◆ communications;
- ◆ government and educational services.

DCED's Views. Like much of the Matanuska-Susitna Borough, the City of Talkeetna has recently undergone strong population growth and significant economic development. Such growth and development is not inconsistent with city incorporation.

Adequacy of Existing Services. 3 AAC 110.010(a)(4)

Petitioners' Views. The Petitioners' brief at Exhibit I concludes that a city government could more efficiently and economically provide the services needed by the area proposed for incorporation, but does not state with specificity exactly how such will be accomplished.

The Petitioners indicate that they do not wish the proposed city to take over the library operations, management of solid waste services, or other nonareawide powers until the City of Talkeetna has determined that such services could be delivered economically and efficiently.

The petition suggests that the City of Talkeetna would seek to assume responsibility for certain services exercised on an areawide basis by the MSB. For example, the Petitioners anticipate that agreements will be developed regarding assumption of planning and zoning,¹⁰ parks and recreation, and historic preservation within the first six months of incorporation.

¹⁰ Such agreements exist between the MSB and the Cities of Palmer and Wasilla.

MSB Position Regarding Original Petition. The Borough's June 19, 1998 responsive brief observed that although the Petitioners state that the city of Talkeetna may exercise all powers and duties of a home rule city as provided by law, specific explanation about actual city functions is not offered. The brief notes that clarification of the services the Petitioners expect the new city to provide is found in the transition plan, which contains an explanation of the transition of service areas (excluding fire service).

MSB Views Concerning Amended Petition. The July 21, 2000 brief submitted by the MSB suggests that the proposed city incorporation could result in a diminution of existing services to residents of the greater Talkeetna area.

"While the Borough supports the incorporation of some class of city in the Talkeetna area, it remains concerned that the incorporation of a home-rule municipality, based upon the proposal submitted by the Petitioners, may not provide the level of services or governance required to protect the public's health, safety, and welfare."

Views of Others. Page 4 of the July 20 letter submitted by Gretchen Grover and Scott MacDonald states,

"Prior to any vote significant work needs to be done on defining the proposed budget and proposed services. A comparison to the current Borough expenditures and services would be helpful. In the DCRA Report, the Borough budget for road services is cited as \$190,000, (pg 26) and the original petition shows \$80,000. The amended petition shows only \$50,000. This makes it look like local control will give us less services than we currently get for our money."

In his letter of July 21, Francis Twig stated:

"Most people here believe that the way things have been going in the past, roads, sewer systems, etc., were all well taken care of."

Doug Smith's letter of June 22, 2000 states,

"The Mat-Su Borough government in Palmer is not the proper entity to be charged with addressing the issues that arise in our town. It is crucial that residents be given a voice in decisions made about issues as they arise and this is very difficult when decisions are being made 80 miles away. Both the distance and time lag are a problem. So is the fact that the Borough government has a huge area to oversee and is not able to give Talkeetna issues adequate or timely attention."

Vye Fuley's letter of July 21, 2000 stated, *"The Borough has done a good job so far but should listen to the people here in Talkeetna about some problems they have now."*

Views Stated in Petitioners' Reply Brief. The September 15 reply brief states,

"The need for Talkeetna to incorporate is more apparent today than when this incorporation process began. If you talk with Talkeetna Community Council board members, you will sense their frustration with the amount of time and effort spent researching, digesting, and communicating issues of local concern to the Borough, and the ensuing lack of response from the Borough."

We believe that an incorporated city of Talkeetna will benefit not only city residents, but also all residents of the Matanuska-Susitna Borough. For one thing, the borough assembly won't have to hear Talkeetna residents squabbling about local issues such as traffic congestion in the downtown area, or whether we need to upgrade our trails and parks if we're going to continue to attract thousands of visitors to our town. Distance and time make it extremely difficult for Borough staff and the Borough Assembly to fully inform themselves about issues of concern to Talkeetna."

Conclusion. DCED does not consider the record to be supportive of assertions that the current level of services being provided by the MSB to the community is inadequate. The Petitioners suggest that city incorporation would produce improvements to local service delivery because more day-to-day decisions concerning service delivery would be made locally. DCED concedes that such may be the case, but whether or not such improvements would occur is dependent upon future developments, such as the degree to which the City is successful in terms of recruitment of skilled employees and the degree to which transition of certain service area and MSB nonarea-wide functions to the City of Talkeetna is successful.

Section 3.8. • Local Service Delivery by the Matanuska-Susitna Borough. AS 29.05.021(b), 3 AAC 110.010

AS 29.05.021(b) provides that a community in an organized borough may not incorporate as a city if the services to be provided by the proposed city can be provided on an area-wide or nonarea-wide basis by the borough. 3 AAC 110.010 provides that a city may not incorporate if essential city services can be provided more efficiently or more effectively by annexation to an existing city.

Petitioners' Views. Page 18 (of both the original and the amended) petition for incorporation states,

"Talkeetna citizens must presently drive ninety miles to Palmer, Alaska in order to affect decisions which govern their lives. By the nature of this distance, it is difficult for local residents to make known their wishes and desires on issues affecting local concerns. Public hearings on road service policy, noise ordinances, or comments on the appropriate level of support for parks and recreation require a four hour round trip drive, frequently at night on icy winter roads. Clearly, this is not an efficient or economic method of conducting local government.

The Matanuska-Susitna Borough's population base is centered in Palmer and Wasilla, two communities whose policies toward resource and economic development are often different than policies desired by the citizens of Talkeetna. The majority of elected representatives to the Matanuska-Susitna Borough Assembly are quite rightly more concerned with urban issues and are not as familiar with the issues and problems faced by our more rural/remote community.

Consequently, it is difficult and an inefficient use of time and energy for local citizens to inform assembly representatives and borough officials about issues which could be more effectively dealt with at the local level.

The Matanuska-Susitna Borough is very large (about the size of the state of West Virginia). We agree with the combined resolution No. 89-1 of the City of Wasilla and the City of Palmer, "that the present physical size and the socioeconomic diversities within the Matanuska-Susitna Borough result in significant inefficiencies and inequities in the provision of and cost of government services."

MSB Views. The MSB's original responsive brief stated,

"The idea that Talkeetna citizens must drive 90 miles to Palmer to affect decisions that govern their lives should not be given much weight since Alaska, by its very nature, requires peoples throughout the state to travel distances to engage in various activities, including presenting information to the government. Moreover, in the age of telecommunications, it is a simple matter to set up teleconferencing or other methods to provide information to citizens. The borough thus disagrees that having to travel 90 miles is not an efficient or economic method of conducting local government. It should also be noted that the assembly and planning commission have on occasion held their meetings in Talkeetna.

The petitioners also state that the general population base centered in Palmer and Wasilla are not interested in the policies desired by the citizens of Talkeetna, and concludes that the majority of the representatives elected to the assembly are more concerned with urban issues and not rural/remote issues. The borough respectfully disagrees with this conclusion, since it believes the assembly is elected to address issues throughout the entire borough and is concerned with the Talkeetna area.

Furthermore, simply because it may be, in the petitioners' opinion, a difficult and inefficient use of time and energy for local citizens to inform assembly representatives and borough officials about issues does not establish a need for city government. Likewise, the combined Cities of Wasilla and Palmer Resolution No. 89-1 is a political statement that contains no specifics on how to establish more efficiencies in the provision and cost of government services. The remainder of the petitioners' explanation of the need for city government simply states that surveys and reports support city incorporation, again without providing specifics on how the need for city government will be met from a service perspective."

Views of Others. Page 5 of the July 20, 2000 letter from Gretchen Grover and Scott MacDonald states,

"The amended petition adds four new services which petitioners claim the City will perform. There are no guarantees that the current levels of service will be maintained. For example, can we assume that the same percentage of the tax monies will go to the services indicated on the current tax bill? Using the figures they provided, road property tax revenues should amount to in excess of \$84,000. Why, then, does the budget only call for \$50-\$53,000 in road maintenance services? Road maintenance is one of the services they cite as being of concern . . . the impression is that the lack of response

from the Borough is one of the reasons we need incorporation. Yet their own proposal does not give services at the level of projected revenues. Why? Also the amended petition does not answer DCRA's concerns that the fracturing of RSA #29 'could be detrimental to the maintenance and improvement of the area's road transportation system.' (pg 13)"

Gene Jenne's letter of July 11, 2000 states, in part,

"The incorporation petitioners have not really given any justification for incorporation other than to zoning powers. The Mat-Su Borough is capable of and does provide for the services the village and area requires.

I have been involved to some degree for almost 20 years out of the past 26 with some of the hands on daily problems in this area. I do not feel comfortable with the thought of local laymen being able to achieve and maintain some of the quality of knowledge that we are to get out of the Borough Engineer pool as needed, even though I also sometimes disagree with them."

Views in Petitioners' Reply Brief. The Petitioners' September 15, 2000 reply brief indicates that alternatives to city incorporation were considered and rejected by incorporation proponents,

"While a Special Use District is currently being researched by the Talkeetna Community Council with the help of the Matanuska-Susitna Borough, (research has been held up since the Borough planning department is understaffed and no planners are available to help gather information), the petitioners do not feel that this would be a reasonable option since Special Use District board members are appointed rather than elected."

DCED's Views. The chart on the following page compares the municipal services provided to Talkeetna at present, as proposed by the original petition, and as proposed by the amended petition.

The record does not demonstrate that the Matanuska-Susitna Borough has failed to properly deliver municipal services to the Talkeetna area. However, AS 29.05.021(b) and 3 AAC 110.010 make no mention of delivery of services by service areas. As noted previously, if incorporation occurs in a manner consistent with the amended petition, it will result in a reduction in the number of MSB service areas at Talkeetna.

Conclusion. Even though the MSB can and does efficiently provide many essential municipal services to Talkeetna on an areawide, nonarea-wide, and service area basis, the standard does not, in DCED's view, present an insurmountable impediment to city incorporation because incorporation would slightly reduce the number of service areas in Talkeetna.

MUNICIPAL POWERS EXERCISED IN TALKEETNA AND SERVICES DELIVERED			
Service	Now	Original Petition	Amended petition
Fire Protection	BSA	BSA	BSA
Flood Control	BSA	BSA	C
Roads	BSA	U	C
Sewer/Water	BSA	U	C
Education	BAW	BAW	BAW
Planning, Platting, Land Use	BAW	BAW	BAW
Emergency Medical	BAW	BAW	BAW
Property Tax Assessment & Collection	BAW	BAW	BAW
Bed Tax Collection	BAW (5%)	BAW	BAW
Parks & Recreation	BAW	U	C
Air Pollution Control	BAW	BAW	BAW
Licensing of Day Care Facilities	BAW	BAW	BAW
Historic Preservation	BAW	BAW	BAW
Port Development	BAW	BAW	BAW
Solid Waste Disposal	BNA	U	C
Libraries	BNA	U	C
Animal Control	BNA	U	U
Regulation of Fireworks	BNA	U	U
Water Pollution Control	BNA	U	U
Septic Tank Waste Disposal	BNA	U	U
Economic Development	BNA	U	U
Regulation of Motor Vehicles	BNA	U	U
Regulation of Snowmobiles	BNA	U	U
Regulation of Obscene Nude Dancing & public displays of nudity	BNA	U	U
Limited Health & Social Services Authority	BNA	U	U
Authority to Establish Natural Gas & Electric Local Improvement Districts	BNA	U	U
Sales Tax	NONE	C	C
BSA = Borough Service Area BAW = Borough Areawide BNA = Borough Non-Areawide C = City of Talkeetna U = Undetermined, Unclear or Conflicting Statements			

Section 3.9. • Determination of Community. 3 AAC 110.920

3 AAC 110.920 provides that, in determining whether a population comprises a community or social unit, the commission will, in its discretion, consider relevant factors, including whether the people

- (1) reside permanently in a close geographical proximity that allows frequent personal contacts and has a population density that is characteristic of neighborhood living;
 - (2) residing permanently at a location are a discrete and identifiable unit, as indicated by such factors as school enrollment, number of sources of employment, voter registration, precinct boundaries, permanency of dwelling units, and the number of commercial establishments and other service centers.
- (b) Absent a specific and persuasive showing to the contrary, the commission will presume that a population does not constitute a community or social unit if
- (1) public access to or the right to reside at, the location of the population is restricted;
 - (2) the population is contiguous or closely adjacent to a community or social unit and is dependent upon that community or social unit for its existence; or
 - (3) the location of the population is provided by an employer and is occupied as a condition of employment primarily by persons who do not consider the place to be their permanent residence.

Petitioners' Views. 3 AAC 110.920 is not directly addressed in the petition. However, page 1 of the incorporation petition states that "*The proposed boundaries for the incorporated city of Talkeetna match those currently used for the Talkeetna Community Council.*"

Views of Others. As noted elsewhere, a number of residents outside the Talkeetna core area consider themselves to be largely unconcerned with certain issues that are of importance to residents, property owners and businesses within the core area. As stated in Francis Twig's letter of July 21, concern exists that residents of some outlying areas would be unfairly burdened with a disproportionate tax burden for the city since some areas within the proposed city boundaries are not readily accessible for delivery of city services. "*All people within the area that is wanted for this incorporating must be treated the same in line with what is required – so for instance- the people who live north of Talkeetna River Rail Road Bridge, who is going to pay for an automobile bridge across the Talkeetna River to service these people as required by incorporating requirements?*"

Conclusion. DCED recognizes that it is debatable whether the entire area proposed for incorporation has a population density that is characteristic of neighborhood living, given the disparity in population density between the core area and much of the remainder of the territory. Nevertheless, the greater Talkeetna area exhibits characteristics of a community readily comparable to areas within numerous existing cities. Therefore, the standard appears to be at least minimally satisfied by the amended proposal.¹¹

¹¹ For example, in November 1999, the LBC approved annexation of 24.29 square miles with a year-round population of 8 to the City of Aleknagik.

Section 3.10. • Transition Plan. 3 AAC 110.900(a) and (c)

The referenced regulation requires in part:

that a petition for incorporation . . . must include a practical plan in which the municipal government demonstrates its intent and capability to extend essential city or essential borough services into the territory proposed for change in the shortest practicable time after the effective date of the proposed change; and that a petition for a proposed action by the commission must include a practical plan for the transfer and integration of all relevant and appropriate assets and liabilities of an existing borough, city, service area or other entity located in the territory proposed for change. The plan must be prepared in consultation with the officials of each existing borough, city, or service area affected by the change, and must be designed to effect an orderly, efficient, and economical transfer within the shortest practicable time, not to exceed two years after the date of the proposed change. The plan must specifically address procedures that ensure that the transfer and integration occurs without loss of value in assets, loss of credit reputation, or a reduced bond rating for liabilities.

MSB Views. The Borough's supplement to its responsive brief states,

"As noted in the Borough's June 19, 1998, September 21, 1998, and May 18, 1999 [Exhibit 9] comments to the Petition (as well as these comments), there are numerous details and issues which require resolution prior to a new city undertaking governance responsibilities. While it is possible that these issues can be resolved, the Borough

believes further details and the acceptance of responsibility for transferred services must be forthcoming prior to the LBC approving the Petition for Incorporation. It remains critical that the Petitioners recognize that city incorporation cannot be contingent upon negotiating agreements with the Borough for the transfer of services. Instead, upon adoption of an ordinance transferring the powers and functions to the new city, it must accept the transfer of powers and functions along with associated assets and liabilities. The LBC should be certain to require the new city, if approved, to undertake the powers and functions it claims it can provide by a date certain, not to exceed two (2) years, without regard to any agreements with the Borough since it is the Borough that must transfer the powers and functions by ordinance, pursuant to its legislative authority."

On July 19, 1999, MSB Public Works Director Jim Swing addressed certain specific areas of concern relating to the transition of service delivery in Talkeetna from the borough to the city after incorporation. The memorandum contained the following excerpts relating to the transition of sewer, water and solid waste services.

Water and Sewer Service.

"The amended petition states that City would take over ownership and operation of water and sewer utility within 18 months of incorporation. They qualify this statement with the phrase 'The petitioners strongly advise that the city of Talkeetna work to develop an agreement with the Borough that would address issues and responsibility for solutions to the inherent problems which this system experiences.'"

Solid Waste.

'The amended petition states that the City will assume responsibility for solid waste disposal within 18 months of incorporation. As has been stated previously (in my June 3, 1998 memorandum), the Public Works Department does not believe that this is a prudent action. No other city within the Borough provides solid waste disposal services. In order for the City of Talkeetna to do so would either require the development of a landfill or using the Borough's Central Landfill at present, solid waste services do not require a mill levy. Sufficient fees are charged to pay for solid waste operations. If the City assumed these powers the costs would be prohibitive since the City would have to start paying for disposal. We would request that the City withdraw the request to assume solid waste authority.' (MSB Exhibit 5, pages 1-2)

Issues relating to the timing of the transition of animal control described in the April 3, 2000, memorandum from MSB Public Safety Director Kevin Koechlein to Borough Manager Scott are also relevant to this issue. That memorandum is quoted in the context of health and safety issues on page 54.

Views of Others. Pages 5 and 6 of the July 20, 2000 submission from Ms. Grover and Mr. MacDonald states,

"These services appear to be adequately and reasonably provided by the Borough at this time. To state that the City will assume them not on incorporation but within 6-18 months, implies that there will be potentially significant impacts on service delivery. Why give up something that is working for a 'guess-timate' that the City will get around to providing them."

Constance M. Twig's letter of July 18, 2000 stated,

"The State of Alaska Public Utilities Commission requires that all water and sewer operators be state certified. There hasn't been enough consideration given to the logistical and practical difficulties of this transfer."

Conclusion. The record is vague regarding details of transition of responsibility for delivery of services to the new city immediately after incorporation. The record contains various concerns about transition issues that have been expressed during the course of the Talkeetna incorporation effort. DCED considers many of the concerns raised, particularly those raised by the MSB, to be relevant and legitimate.¹² DCED also recognizes that the standard provides up to two years for transition to occur and the Petitioners pledge to complete transition within eighteen months. It is also evident that the amended petition is improved over the original petition in terms of the Petitioners' anticipated scenario regarding the manner in which the transition of service delivery to city government occurs. DCED believes that the record could be improved by additional information from the Petitioners regarding the transition plan. DCED recommends that the LBC clearly define service delivery responsibilities of the proposed city, should incorporation be approved. An opportunity for submission of such additional information is provided during the period for submission of written comments regarding this report and recommendation. Absent such supplementary information, DCED considers the standard to be only marginally satisfied.

¹² As noted elsewhere, specific concerns have been expressed regarding transition of several services including animal control, sewer, and solid waste.

Section 3.11. • Statement of Non-Discrimination. 3 AAC 110.910

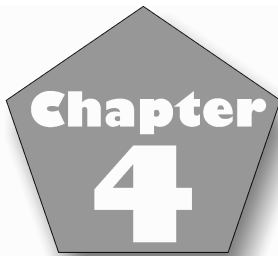
3 AAC 110.910 prohibits approval of a petition if the effect of the proposed change denies any person the enjoyment of any civil or political right, including voting rights, because of race, color, creed, sex, or national origin.

DCED's Views. The record contains no indication that the proposed incorporation of the City of Talkeetna would result in any diminution of voting rights or any civil or political rights of any person.

Section 3.12. • Best Interests Determination. AS 29.05.100(a)

AS 29.05.100(a) provides that if the Commission determines that the incorporation, as amended or conditioned if appropriate, meets applicable standards under the state constitution and commission regulations, meets the standards for incorporation under AS 29.05.011 or 29.05.031, and *is in the best interests of the state*, it may accept the petition. Otherwise it shall reject the petition.

DCED's Views. The best interests of the state are not significantly advanced or thwarted by the proposal. While incorporation may be considered as advancing maximum local self-government, the benefits are diminished by the fact that Talkeetna is already within a fully functioning municipal government.



Chapter 4

CONCLUSIONS AND RECOMMENDATIONS

Section 4.1. • General Conclusion

The community of Talkeetna clearly meets several of the standards for city incorporation. It has sufficient local population, economy, and tax base. The expanded city boundaries proposed in the amended petition encompass the Freedom Hills access road. Such expanded boundaries should prove to be more conducive to provision of city road maintenance service in an efficient, cost-effective level that would have been the case if the Petitioners' original boundaries were adopted.

Therefore, the amended incorporation proposal better satisfies AS 29.05.011(a)(2) than was the case with the original petition. The amended petition better demonstrates a need for city government than the original petition, but certain perplexing ambiguities remain, such as the lack of an anticipated city budget for animal control services. The amended petition would leave certain key service areas intact and fracture the road service area.

When a city is located within an organized borough, the relationship between the two units of government is sometimes complex. Authority is sometimes delegated or shared within defined parameters of legal competence. Both the city and the borough must devise mechanisms to secure funding to perform their respective duties and functions. The Matanuska-Susitna Borough already assesses and levies property taxes upon Talkeetna. If the City generated local revenues through a property tax similar to that levied by the Borough, the Borough would collect the local property tax on behalf of the City. Such is not the case with respect to sales tax, since the Matanuska-Susitna Borough does not levy such a tax. Therefore, the entire burden of assessing and collecting a city sales tax would be borne by the City.

DCED concedes that, theoretically, incorporation of a City of Talkeetna could serve to maximize local self-government. However, as noted in the discussion of Article X of the Alaska Constitution, incorporation would not result in a significant minimization in the number of local government units. When incorporation of a city occurs in an organized borough without a reasonably commensurate reduction in the number of service areas, the constitutional principle requiring minimum numbers of local government units is not served. For example, in this case the MSB has separate service areas for flood control, fire protection, roads and sewer and water serving the area proposed for incorporation. The Petitioners propose that the city assume the flood control service area functions. Road service powers would be assumed by the city in only part of the area within the existing road service area. The MSB fire service area would continue unchanged.

In its December 1998 preliminary report on the original petition, the former DCRA raised questions regarding municipal service delivery. Such issues related to both the area proposed for incorporation and neighboring areas. DCED recognizes that certain issues regarding transition will need to be addressed and municipal services are reasonably and practicably provided to the area by the Matanuska-Susitna Borough to the Talkeetna area at present. Nevertheless, DCED does not anticipate that city incorporation as proposed by the amended petition will disrupt or impede the delivery of such services to the extent that the requirement of AS 29.05.021(b) would be violated.

Section 4.2 • Recommendation

DCED recommends that, pursuant to clarification of matters relating to the transfer of local service delivery from the Matanuska-Susitna Borough to the proposed City of Talkeetna, the Local Boundary Commission approve the amended petition. DCED further recommends that incorporation be conditioned upon approval by Talkeetna voters of voter authorization of the following ballot propositions.

1. Levy by the City of Talkeetna of a year-round 2% sales tax or a 4% seasonal sales tax (May 1 through September 30).¹³

¹³ Article XII, Section 2 of the Petitioners' proposed home rule charter provides that the City Council shall provide for the annual levy of taxes on property. The petition anticipates a 3.5 mill city property tax rate. (at 11)